

# Report of the Residents' Committee on Tax and Service Duplication Issues



City of Takoma Park  
Takoma Park, Maryland  
April 2005



**Report of the**

**Residents' Committee**

**on Tax and Service**

**Duplication Issues**

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## **Residents' Committee on Tax and Service Duplication Issues**

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# Executive Summary

**T**ax and service duplication, commonly known as "double taxation," exists when both a county and a city within the county charge the city's taxpayers for the same kinds of services, but taxpayers ultimately receive those services only from the city. Maryland law authorizes the county's return to the city of taxes the county received from city residents for duplicated services, either as a rebate paid to the city or as a tax differential that lowers the county tax rate for the city's taxpayers. Montgomery County has chosen the rebate method.

In FY05 Montgomery County rebated to the City of Takoma Park a total of \$3.1 million for police, crossing guard, road maintenance and park maintenance services that the City provided in lieu of the County. No rebate was paid for duplicative services in housing, recreation and the library, although the County did pay the City established payments of \$100,000 for recreation and approximately \$90,000 for the library.

The Residents' Committee on Tax and Service Duplication Issues found that the County's rebate to the City was significantly less than the City's actual costs for delivering duplicative services, and far less than the amount the County would likely spend if the City elected not to provide those services. According to the Committee's calculations, a more accurate rebate would be at least \$4.1 million and possibly as high as \$7.8 million.

Part of the gap exists because the County fails to take into account its own administrative and capital costs. The Committee found additional methodological flaws in the County's rebate formulas that also result in an underpayment. The Committee recommends that the City Council negotiate with the County to correct these defects and calculate a rebate that delivers Takoma Park taxpayers full and accurate relief from double taxation.

The Committee additionally urges the City Council, in league with other Maryland municipalities, to seek reform that provides municipalities the opportunity to challenge through judicial review or arbitration the accuracy and comprehensiveness of county rebates, reforming the current situation in which the county is the ultimate authority.

The Committee also concluded that the current arrangement for the County's "pass-back" to the City of income tax payments by Takoma Park residents, currently set at 17 percent, is inadequate and unfair to municipalities that provide high service levels and serve relatively less affluent populations. The Committee recommends that the City Council pursue reform of the current income tax pass-back framework to mitigate these inequities. This could involve a change in the pass-back formula, realigning the pass-back to reflect the relationship between the City's tax rate and the countywide property tax rate, or an increase in the percentage underlying the pass-back itself.

As another option for regaining a larger share of income taxes paid by city residents, the Committee recommends that the City Council attempt to establish a form of regional revenue sharing as is done in other metropolitan areas where fiscal resources are redistributed to communities with greater social need.



# Key Findings and Recommendations

This report primarily addresses the five Takoma Park departmental service areas that are duplicative of those provided by Montgomery County:

1. Police
2. Public Works
3. Recreation
4. Housing and Economic Development
5. Library

A major portion of the report is devoted to the Committee's review and analysis of each duplicative service. The Committee also prepared a series of recommendations that might permit the City to reduce its financial obligations, either through the pursuit of more accurate county rebates, delivery of services in alternative ways or other options.

The following is a summary of the Committee's key findings and recommendations:

## 1. Police

The County rebate -- \$2.5 million in FY05 -- represents only about half of what the City spends on police services, in large measure because the County contends that it would not, in the absence of a municipal police force, provide the same level of protection and services that the City currently provides.

The Committee offers the following recommendations regarding police services, which may generate about \$1 million annually:

- The City should seek a higher rebate from the County for costs currently not fully recognized by the County, including those associated with:
  - Police patrol and follow-up
  - Administration
  - Facilities
  - Supervisory and command personnel
  - Communications
  - Other areas

- The City should seek a larger portion of the State Police Grant;
- The City should investigate the option of a “shared patrol” police force, modeled on the arrangements currently existing in Rockville, Gaithersburg and Chevy Chase Village, in which city officers handle community policing while the County handles major crimes and fatal accidents;
- The City should investigate the option of transferring all or some of the duties for “911” communications and dispatch to the County; and
- The City should investigate the option of transferring a portion of its criminal investigation responsibility to the County.

The Committee also considered other options, including the transfer of all police services to the County for a savings of approximately \$2 million annually, but the Committee did not recommend this option since it would result in a reduction in personalized services, local control and efficiencies such as response time.

## 2. Public Works

In FY05 the County rebated to the City \$339,903 for road maintenance and \$71,740 for park maintenance. The City’s known cost for road maintenance in FY05 was \$787,820; for maintaining parks and public grounds it was \$266,080. Neither cost included capital expenditures, administrative overhead, vehicle maintenance or debt service.

The City received no rebate for trash pickup or recycling. The City’s estimated cost for managing solid waste is \$229 per household. By comparison, the County calculates its cost for the same service at \$323 per household. The County charge is a fee whereas the City’s cost is bundled into the property tax. This distinction allows Takoma Park homeowners to write off the cost of solid-waste management on their income taxes.

The Committee offers the following recommendations for public works:

- The City should seek a higher rebate from the County for road and park maintenance by adding in the City’s costs of overhead, administrative expenses and capital expenditures;
- The City should ask the County for a cost estimate of contracting out road maintenance to county staff. If the estimate affords the City an opportunity for substantial savings, the City should consider contracting out road maintenance to the County;
- The City should also request an audit of the County’s expenditures supported by property taxes, which may result in a more accurate rebate both for road and park maintenance; and
- The City should renegotiate the 1988 rebate formula for park maintenance since the accounting system on which the formula is based no longer is being used.

The Committee also considered other options to reduce city expenditures, including: 1) Transfer of trash pickup and recycling to the County, which would still leave snow removal and other seasonal work for city crews and would eliminate a tax write-off currently enjoyed by city residents; 2) Transfer of park maintenance to the County, which would likely result in a deterioration of city parks; 3) Cede road maintenance to the County, which may result in fewer timely repairs and, in any event, may not be possible because the County could decline to assume responsibility for city streets.

### **3. Recreation and Parks**

Today the City is the sole provider of government-run recreation inside city limits, offering after-school programs, classes, sports and other activities. Except for a \$100,000 annual payment for operating expenses at the New Hampshire Avenue recreation facility, and the aforementioned \$71,740 for park maintenance, the County provides no additional rebates or payments.

The Committee offers the following recommendations for recreation and parks:

- Given the withdrawal of Montgomery County recreation services from inside city limits and the opening of Takoma Park's community center, the City should request opting out of paying the county recreation tax. If successful, this would mean a direct savings to city taxpayers of an estimated \$250,000 each year; and
- The City should request a set annual payment from the County to reflect the City's provision of recreation programs to underserved populations, including those who live outside the city limits in nearby neighborhoods.

The Committee also considered other options, including: 1) A rebate of the County recreation tax, which would add a level of complexity beyond the set payment; 2) A rebate of the M-NCPPC tax, which could be difficult to justify given M-NCPPC work inside Takoma Park; 3) A transfer of recreation services to the County, which would effectively end most recreation programs available inside city limits; and 4) Contracting of recreation services to an outside entity, which would likely reduce responsiveness to local needs and gain only minimal savings.

### **4. Housing and Community Development**

The City receives no rebates for housing and community development even though many of the services are the same or similar. However, in 2004 the City contracted with the County to handle a significant portion of code enforcement at a savings of about \$50,000.

The Committee offers the following recommendations for housing and community development:

- The City should request a rebate equivalent to the amount the County saves by not providing code enforcement, landlord-tenant services and other housing services in Takoma Park; and
- The City should identify housing services or functions that can be successfully contracted for third-party administration as in the recent contracting with the County for code enforcement.



The Committee also considered the option of transferring all housing and community development services to the County and concluded the City would gain financially but would lose the rent stabilization program (since no similar program exists at the county level) and would lose control over priorities for affordable housing and community development, as well as the “open door” tradition of citizen interaction.

## 5. Library

As a vestige of an arrangement that existed when Takoma Park was divided between two counties, Montgomery County continues to pay the City an annual payment of about \$90,000 for library operations. However, the City receives no other county funding, nor is the City’s library eligible for federal, state or other traditional funding since, as the only surviving municipal library in the state, it lacks official “public” status.

The Committee offers the following recommendations for the library:

- The City should try to determine if significant savings can be achieved by transforming the library from one that offers general services to one that focuses on specialized services; and
- The City should launch a fundraising initiative on behalf of the library in cooperation with the Friends of the Library and other local supporters.

The Committee also considered other options, including: 1) Merging the library into the county system, which would likely lead to its closure; 2) Seeking a rebate from the County, which might jeopardize the current \$90,000 annual payment the library receives from the County; 3) Attempting to secure “public” status for the library, which would be an expensive campaign with almost no likelihood of success; 4) Eliminating city funding, which would mean the end of the library as a city service.

## Additional Revenue Opportunities

Takoma Park depends on property taxes for about half of its annual general fund revenues. The next largest source, representing a little more than a quarter of all revenues, are intergovernmental funds from other levels of government, most of it in county rebates to the City for duplicated services. The City also receives a small share of the local income tax that city residents pay, which represents about 10 percent of city revenues. Fees, fines, licenses, permits, investments and other miscellaneous income make up the balance of city revenues.

The Committee offers the following recommendations for enhancing Takoma Park revenues:

- The City should negotiate more accurate rebates for services duplicated by the County and the City;
- The City should advocate reform of the County’s income tax pass-back by calculating the pass-back based on the City’s property tax rate relative to the County’s property tax rate, or by increasing the 17 percent floor;

- The City should initiate discussions of regional revenue sharing with county and state officials, as well as with regional government entities, such as the Metropolitan Washington Council of Governments;
- The City should extend revenue sharing agreements to the County's "other taxes" derived from Takoma Park, such as extending the 50/50 share of the hotel/motel tax to bed and breakfasts, and retaining some portion of real property transfer taxes, and recordation taxes;
- The City should seek to institute a system of payments in lieu of taxes from major Takoma Park nonprofits, such as Washington Adventist Hospital;
- The City should negotiate payments from the County for services provided to county institutions inside city limits, such as Montgomery College and the public schools;
- The City should regularly assess city services to determine where service charges, fines, and fees for permits and licenses might be increased; and
- The City should monitor intergovernmental grants to ensure that Takoma Park gets a fair share of the grants based on city needs.

## **Educating Citizens about Services and Taxes**

The Committee, at the request of the City Council, also devoted attention to the City's upcoming resident survey and ways to educate and communicate with Takoma Park residents about the impact of service duplication.

### ***Resident Survey of Quality of Life in Takoma Park***

The Committee believes that its report and the identification of alternative service delivery options in police, public works, recreation, housing and community development and library services will be useful to the City in developing questions for the upcoming City resident survey about the quality of life in Takoma Park. The magnitude of the Committee's work did not provide enough time to formulate specific survey questions.

The Committee also points out that the multiple tradeoffs associated with increasing or decreasing service levels make it difficult to assess public opinion about service delivery in the confines of a survey. The Committee urges the City Council to consider the use of forums, focus groups and other opportunities to provide for a more informed and thorough discussion with residents about city services to supplement results from the survey.

### ***Public Education and Outreach***

With the assistance of City staff, the Committee undertook a range of efforts to inform the public of its work. The Committee wrote articles about its mission and activities for the *City Newsletter* and

local newspapers, created a web page on the City's website, maintained a list serve for public discussion of the Committee's business, broadcast one of its meetings on the Takoma Park municipal cable channel and presented an interim report of initial findings to the City Council.

The Committee intends to distribute this final report to the City Council and other City officials, as well as to neighborhood associations and civic groups in Takoma Park. Committee representatives will be available to meet with neighborhood associations and civic groups to explain the report and its implications for city residents. The Committee also recommends the City's distribution of this report to appropriate municipal and county leaders throughout Montgomery County and the Maryland legislature. The Committee intends to write and publish a series of articles in the in the *City Newsletter* about the report's findings and recommendations. This report, as well as additional materials associated with service and tax duplication, will also be maintained on the City's website.

# Chapter One: Introduction

Since 1973, various arrangements between Montgomery County and the City of Takoma Park have addressed the phenomenon of “double taxation,” in which city residents pay property taxes and income taxes both to Montgomery County and the City of Takoma Park although only the City delivers the service.

Over the course of the past three decades, the County’s practice for determining what Takoma Park services will be reimbursed, the amount of the reimbursement, and the procedures for reimbursement have varied. Those duplicative services have included police protection, highway and street maintenance, solid waste collection, library and parks and recreation. The current framework was established in 1996, with additional formulae negotiated in 2002 over reimbursement for the City’s delivery of police services.

The foundation of the Montgomery County-Takoma Park reimbursement framework rests upon the determination of what the County *would have spent* had the County performed the service in Takoma Park, *not what the City spends*. The authority for the County’s determination of what it would have spent also lies solely with the County, without any avenue of appeal by the City to a neutral third party. Those limitations have profound cost consequences for the City, given the smaller economies of scale in which the City must work compared to the County, as well as the larger scope and higher quality of services that Takoma Park residents expect to receive.

All of Montgomery County’s service reimbursements to Takoma Park are paid in the form of a rebate. While Maryland counties have the choice to pay their service-duplicating municipalities through either a rebate or a differential (i.e. a direct reduction in the municipal tax rate), Montgomery County has opted to pay its cities a rebate. Payment by rebate means that the delivery of pocketbook relief to Takoma Park residents from double taxation rests upon the prospect, but not certainty, that the City will reduce its tax rate by an amount equivalent to the rebate.

## Background

When Takoma Park became an incorporated municipality in 1890, Montgomery County was a largely rural county, providing few of the services that urban dwellers today expect from local government. During the ensuing century, Montgomery County gradually began to provide services, some of which were already provided by Takoma Park. Even as the County assumed greater responsibility for the delivery of services to an increasingly larger and more urban population, Takoma Park consciously declined to cede its responsibilities to the County for police service, public works, roads and other services. In fact, as the years passed, Takoma Park assumed more responsibility for services. As a result, today the City provides an array of local government services including police protection, sanitation, road construction and maintenance, parks and recreation, even its own library. All of these services and more are also provided by Montgomery County. With that has come a cost to Takoma Park residents.

In addition to their County tax bill, Takoma Park taxpayers pay about two-thirds more for their City tax bill than they pay to the County in property taxes. The County provides many services not provided by the City, including schools, fire and rescue, and health and human services. Subtracting these services from the County tax bill, City residents pay an amount that is about double the County tax for their City-provided services.

The issue of County-City service duplication is not new or unique to Takoma Park. The inherent unfairness of municipal residents being obliged to pay twice for the same services to different levels of government has long been recognized. As early as 1879, the Maryland Court of Appeals upheld a county tax rebate for services rendered by a municipality. This was later affirmed in 1889 and 1914. In 1975, the Maryland legislature authorized tax setoffs where duplication of services occurs. However, the legislature did not require such setoffs.

Double taxation issues have historically been decided on a county-by-county, city-by-city basis. In 1997, the Maryland General Assembly set up a Municipal and County Task Force to sort out the double taxation issues. As a result, legislation was enacted in 1998 requiring that counties and municipalities meet annually to discuss the issue. Minimum requirements were established, such as designating negotiators, establishing a rule that allows municipalities to request a setoff 180 days prior to approval of the County budget, requiring the county to make a budgetary Statement of Intent, and providing the municipality the right to testify before a budget hearing.

Montgomery County paid out its first rebate in 1973, and in 1996 the County adopted a framework establishing a rebate process. That process was the outgrowth of a task force of county and municipal representatives that studied the municipal tax duplication reimbursement program and recommended a series of changes. The new process provides that county tax duplication payments to municipalities are made once a year before September 15th, based on the actual expenditures of the fiscal year two years earlier. Moreover, municipalities are reimbursed based on what the County would have spent had the County performed the service in the municipality. (See Appendix C for a summary of FY05 Montgomery County tax duplication payments to all municipalities in the County.) Future revisions to the framework governing Montgomery County's county tax duplication payments (other than the police rebate) are required to be negotiated collectively by the County and its municipalities, including Takoma Park.

## **Residents' Committee on Tax and Service Duplication Issues**

The Takoma Park City Council established the Residents' Committee on Tax and Service Duplication Issues by a resolution adopted on October 11, 2004 to examine the costs of services delivered by Takoma Park that are duplicative of those provided elsewhere by Montgomery County and paid through City and County property taxes. The 21-member Committee included three representatives of each ward appointed by their Council Member, plus three more at large appointed by Mayor Kathy Porter. The Committee selected Bruce Moyer and Dan Robinson as co-chairs.

The primary focus of the Committee has been to examine the accuracy and fairness of Montgomery County's payment to the City for duplicative services. City Council Resolution 2004-50, adopted by the Takoma Park City Council, directed the Residents' Committee:

- To become knowledgeable of the legal requirements and constraints of municipal tax duplication in the State of Maryland and in Montgomery County and recommend how the city can communicate this information to the public;
- To identify areas where further research is needed concerning tax relief and service duplication;
- To recommend actions the city could take to obtain a fairer tax duplication payment from Montgomery County and to decrease the level of tax duplication paid by city property owners; and
- To provide assistance and guidance in the development of a resident survey, specifically in regard to those questions concerning service delivery.

The City Council also directed the Committee to provide a final report according to a schedule to facilitate use in discussions of the City's FY 2006 budget. The Committee established a series of working groups focused on the county reimbursement process, including the costs and quality of police protection, public works, housing and economic development, parks and recreation and library services. City Manager Barbara Matthews and Community and Government Liaison Suzanne Ludlow provided expert assistance and support to the Committee. County and City department heads and other staff members also provided considerable assistance. The Committee is deeply appreciative of this wide-ranging cooperation and support.





## Chapter Two: Revenues and Rebates

### *A Review of Income Stream and Reimbursement from Montgomery County for Duplicative Services*

#### Background

The City of Takoma Park in FY05 received rebates for police, road maintenance, crossing guards and park maintenance, totaling \$3.1 million.

**Table 1. FY05 Montgomery County Rebates to Takoma Park**

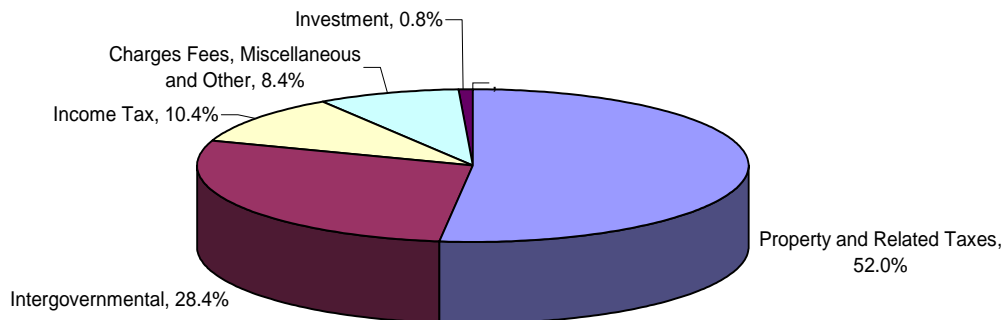
ACTIVITY	AMOUNT	% OF TOTAL REBATES
Police/MOU	\$ 2,061,318	68 percent
Police/County Code	\$ 495,585	15 percent
Road Maintenance	\$ 339,903	11 percent
Crossing Guard	\$ 121,738	4 percent
Parks	\$ 71,740	2 percent
<b>TOTAL</b>	<b>\$ 3,090,284</b>	<b>100 percent</b>

The police services rebate -- \$2.5 million -- represented the largest portion of the County's reimbursement for duplicative services. In addition, the City received payments from Montgomery County for Takoma Park expenditures associated with the Takoma Park Library and its maintenance of the Takoma Park Recreation Center on New Hampshire Avenue. These are not technically considered "rebates" under County law.

In FY 2005, the total budget for the City of Takoma Park was \$15,383,186 of which \$3.1 million, or about 19 percent of all revenues, was received as rebates for duplicative services from the County.

#### *City Revenue Analysis*

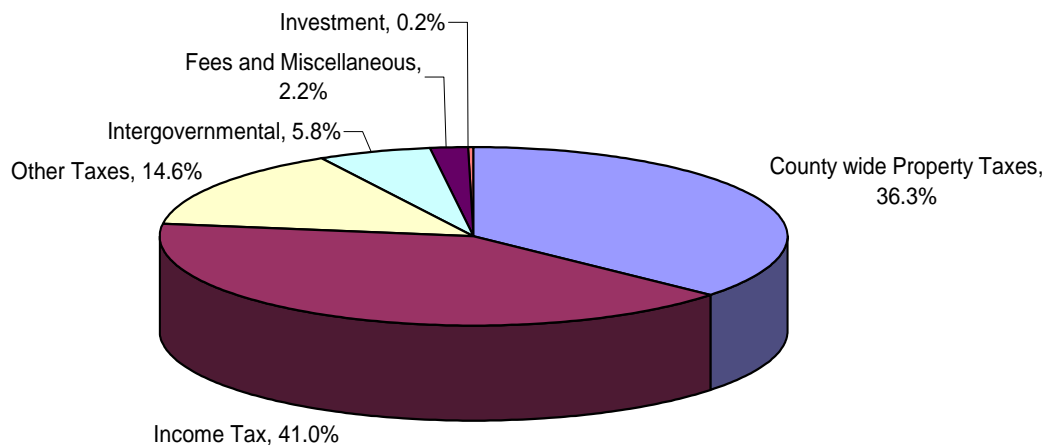
The City depends on property taxes to provide \$6.8 million, or about half of the City's \$14.2 million in general fund revenues: \$14.2 million. The next largest source, representing a little more than a quarter of all revenues, is intergovernmental funds, which come from other levels of government. The vast majority of this source is the County rebates. The City also receives a small share of the local income tax that City residents' pay, which represents about 10 percent of city revenues. (The local income tax is discussed in greater detail below). Fees, fines, licenses, permits, investments and other miscellaneous income make up the balance of City revenues. The Chart on the next page shows the major revenue sources. Details on the breakdown can be found in the Appendix.

**Figure 1. FY05 Takoma Park General Fund Revenue Sources**

Note: Chart does not include Appropriated Surplus, which makes up 7.6 percent of the General Fund.

## ***County Revenue Analysis***

The County's top revenue source is the local income tax. Property taxes are a close second. Together these two revenue sources make up more than three-fourths of the County's \$2.2 billion in general fund revenues. Most of the remaining revenues are from "other taxes," which include energy, telephone, and real property transfer and recordation taxes. Intergovernmental funds make up a small portion of the County's general fund. Service charges, fees and other miscellaneous sources also represent a small portion. Details on county revenues can be found in Appendix A and Table 14.

**Figure 2. FY05 Montgomery County General Fund Revenues**

## ***What City Residents Pay in County Taxes – And What They Get Back***

Takoma Park residents pay an estimated \$21.1 million in taxes to Montgomery County, primarily through property taxes and local income taxes but also including “other” special taxes. After rebates and other payments, the net payment from city residents to the County is \$17.8 million. By comparison, the City collects \$8.3 million from city residents, less than half of what the County takes.

Details on the various taxes the County collects from city residents are shown in Table 2 below.

**Table 2. Summary of FY05 Revenues Received by Montgomery County from Takoma Park Residents**

Source	Revenues (in millions)	\$ Paid Per Average Household	Comments
County-wide Property Tax Payments	7.6	1,103	0.734 tax rate
County Special Area Property Tax	2.8	406	0.272 tax rate
<b>Total for all County Property Taxes</b>	<b>10.4</b>	<b>1,509</b>	
Income Tax	8.7	1,262	3.2% tax rate
Pass back from County	(1.5)	(218)	17% returned to City
<b>Net Income Tax</b>	<b>7.2</b>	<b>1,045</b>	<b>Retained by the County</b>
Other Taxes	3.2	464	estimated
Base Solid Waste Management Fee	0.3	44	estimated
<b>Total Revenues</b>	<b>21.1</b>	<b>3,061</b>	
Less Rebates and Other Payments	(3.3)	(479)	
<b>Total County Revenues from Takoma Park</b>	<b>17.8</b>	<b>2,582</b>	

The County-wide real property tax rate is \$0.734 per \$100 assessed value. Based on a net assessable property tax base of nearly \$1 billion in Takoma Park, this amounts to about \$7.6 million that is raised through property taxes in Takoma Park. The county also charges Takoma Park residents a “special area tax” that adds another \$0.272 to their county tax bill for a combined property tax rate of \$1.006 per \$100 of assessed value. **This amounts to total property tax payments of \$10.4 million from Takoma Park.** The special area taxes are dedicated to mass transit, fire protection, recreation facilities and programs, and the Maryland National Capital Park and Planning Commission.

In Maryland local taxes are collected by the State through what’s referred to as a “piggyback” tax. It has acquired this name because, although the County sets its local tax rate, the tax is acquired through the state’s collection of income taxes. The state then distributes the local tax back to the counties and localities. Montgomery County sets the income tax on taxable income at 3.2 percent. **In the approved FY 2005 City budget, the amount of local income taxes passed back to the City amounts to \$1,481,000.** This represents 17 percent of the income taxes that Takoma Park taxpayers pay

to Montgomery County. The 17 percent share is set by state law.<sup>1</sup> Calculating backward, by dividing \$1,481,000 by 17 percent, the Takoma Park income tax contributions totals \$8.7 million. **After the 17 percent pass back, the net contribution to the County from Takoma Park is \$7.2 million**, or about \$1,000 for the average Takoma Park household.

Takoma Park residents also pay additional amounts in “other taxes,” such as the energy tax, the telephone tax, as well as real property transfer taxes and recordation taxes whenever they buy sell or refinance their property. The total amount that city residents pay in “other” taxes is not readily known. It depends on how much and what types of energy city residents buy, their telephone usage patterns, and how often they buy, sell, or refinance their real property. If Takoma Park contributions equal their share of the total county assessable tax base, then city residents contribute an additional \$3.2 million in “other” taxes, equivalent to about \$464 per household.

In addition, city residents pay the County a solid waste management base fee of \$39.69 per household, a total of roughly \$300,000 based on figures from the City’s storm water management program.

### ***Incidence of Property Taxes and Fees of Takoma Park Residents***

The Committee investigated the property tax burdens of Takoma Park residents to determine how significant the property tax burden is on various types of residents. We found that because of a property tax credit Takoma Park gives to low-income homeowners, the City’s tax burden is more progressive than in Rockville, Hyattsville, and unincorporated Silver Spring. A low income Takoma Park homeowner in a \$150,000 home pays approximately \$600 less in property taxes than that same household in Silver Spring. The tax burden is about the same as the other jurisdictions for a retired couple, and a median income household in a \$150,000 home. It is also about the same for a low-income household in a \$300,000 home. However, for all households in homes valued at \$500,000 or more, the Takoma Park tax burden is considerably higher than in the other jurisdictions. This higher tax burden, however, is mitigated by the fact that Takoma Park residents pay less in fees, and are able to deduct a greater portion of their local tax burden from their State and Federal income taxes. A detailed description of this analysis can be found in Appendix E.

## **Findings**

Based on our analyses of tax and revenue issues, the Committee has arrived at the following findings.

### ***Local Income Tax Pass Back Is Not Adequate***

As described above, state law provides for a local income tax pass back of 17 percent of the local income tax revenues derived from a municipality. Consequently, the City gets \$1.5 million of its \$8.7

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<sup>1</sup> See Annotated Code of Maryland Article Tax General § 2-607.

million in local income tax contributions passed back. This represents about 10 percent of the City's general fund revenues. However, the local income tax is the largest source of County revenues representing 41 percent of its general fund revenues. This disparity seems to indicate that income taxes, which are a progressive and flexible source of revenues, are not being shared in appropriate proportion with the City.

Inquiries into the origin and rationale for the 17 percent pass back yield little insight into its adequacy or fairness. The 17 percent level was set arbitrarily and irrespective of the level of services a city provided or the city's capacity to raise additional revenues. Consequently the 17 percent pass back should be seen as a floor for what should be shared with the city rather than as a fixed level for all cities.

To be fair the local income tax pass back should take into account the level of services that a city provides and correct for inequities in a city's capacity to raise additional revenues. For cities that provide more services and contribute more to the quality of life of residents in and near the city, it makes sense for the county to give back a larger share of the income derived from that city's residents.

The failure to account for a city's fiscal capacity is a major problem that undermines cities' ability to address the needs of residents who would have greater needs. This is because cities with less affluent residents are more likely to need more and higher quality services, but under the current system a small affluent city will get disproportionately more income tax revenue per person than a less affluent city. This reinforces current inequities keeping fiscal resources away from cities serving residents with greater needs and keeping fiscal resources in affluent communities.

The inequity of the current formula is evident in the contrast between the local income tax returned to Takoma Park and Chevy Chase Village. According to the 2000 Census, Chevy Chase Village has a population of 2,043 and a median household income in excess of \$200,000. In FY 2005 it received \$1.2 million from the income tax pass back, which represents almost half of its total revenues. The pass back to Chevy Chase equals about \$592 per person. In contrast Takoma Park, which has a population of 17,299 and a median household income of \$48,490, received \$1.5 million or only \$85 per person. The poverty rate in Takoma Park is over 10 percent, but only two percent in Chevy Chase Village. The current formula is not adequate for cities, like Takoma Park, that serve a relatively large number of lower income residents.

One way to make the income tax pass back more fair would be to create a formula that is tied to the level of services that a city provides and that does not unfairly penalize or reward a city for its residents' level of income. The best way to do this may be to use the city property tax rate relative to the county rate to determine the portion of income taxes passed back. The property tax rate is a reasonable proxy measuring the level of services a city provides. Cities with high tax rates also provide high levels of services. The city property tax rate also takes into account the city's fiscal capacity. Affluent cities can raise more money with lower tax rates than less affluent cities because their per capita tax base is larger. Less affluent cities, however, need higher tax rates to raise as much money. In effect, the income tax pass-back would offer matching funds to a city's own efforts to raise revenues for funding services.

If in Montgomery County the income tax pass-back was based on a city's property tax rate relative to the county rate with a 17 percent floor, Takoma Park, Rockville, Gaithersburg, and five other municipalities would be able to keep a greater portion of their income tax contributions. The change

would have no effect on the other municipalities. Under this formula, the City would get back about \$197 in income taxes per person, instead of \$85 per person.

In the recent state legislative session a bill, SB 724, was introduced that would reconsider municipalities' share of the local income tax. Although this legislation was not enacted, the fact it was considered affords an opportunity to discuss this issue with state and county officials.

### ***Regional Revenue Sharing***

In other metropolitan regions of the country, providing fiscal resources to communities with greater needs is often done through regional revenue sharing. For example, among seven counties in the Twin Cities metro area in Minnesota, each community contributes 40 percent of the growth of its commercial and industrial property tax base to a regional pool. The funds are then redistributed based on a formula that takes into account a jurisdiction's population and fiscal capacity, defined as per capita real property valuation. This program is credited with reducing tax-based disparities among Twin Cities communities from 50:1 to roughly 12:1. Regional tax sharing has also been implemented in the Hackensack Meadowlands region and is currently being considered in Sacramento, California. This is an important option to be considered for Montgomery County and the Washington D.C. metropolitan area. Further discussion of this option can be found in Appendix F.

### ***There is Precedent for Keeping Some County Revenues in the City***

The Committee has estimated that Takoma Park residents pay an additional \$3.2 million in taxes for energy, telephones, and real property transactions. All of these go into the County's general fund. It is entirely appropriate for city residents to make these payments, but for some of these revenues it may be reasonably argued that a portion of the revenues should stay with the municipality. There is precedent for this with other taxes. For example, the County Hotel Motel tax is shared evenly with the City for the one motel in Takoma Park, the Takoma Park Quality Inn and Econo Lodge. County law also allows the City to retain any taxes on admissions to movies, concerts, and other commercial entertainment ticket sales for events in Takoma Park. Similarly, it might be argued that for properties located in Takoma Park some portion of the real property transfer tax and the recordation tax be shared with the City.

### ***Options for Enhancing City Revenues***

There are a number of options for the City to enhance its own revenues, other than by increasing property tax revenue. The options readily available provide small amounts of revenue, and generally impose some costs or diminish services in some way. In recent budget discussions City staff provided a list of potential budget cuts that included some revenue enhancements. Some of these have been enacted and have or will shortly go into effect.

There are three major areas where significant revenue enhancements are possible:

### **Institute Payments in Lieu of Taxes (PILOTs)**

Nonprofit organizations are exempt from paying taxes. This means that buildings owned by churches, nonprofit education institutions, and nonprofit service organizations, including hospitals, are all exempt from paying real property taxes on the land and buildings they own in Takoma Park. In many jurisdictions throughout the country large nonprofit institutions have made agreements with local governments to make a contribution to the local recognition of the services that local governments provide. In Takoma Park two large institutions -- Washington Adventist Hospital and Columbia Union College -- may be in a position to make such contributions. These institutions are very large and the possibility exists that PILOTs may be significant.

Takoma Park currently receives PILOT revenue for an affordable housing project, Edinburgh House, but not for the major nonprofit institutions. The PILOT for Edinburgh House expires with this fiscal year. The major obstacle to developing this potential revenue source is that no nonprofit institutions in Montgomery County pay PILOTs and there is no model or guidelines for negotiating and implementing it.

PILOTs are generally negotiated with nonprofit institutions, but Takoma Park also provides services to such county institutions as Montgomery College and the public schools. This raises the possibility of negotiating some payment for the services that the City provides to county institutions located inside Takoma Park.

### **Increase Fees, Permits, Licenses, and Fines**

At the suggestion of City staff, the City Council recently enacted increases in certain service charges, fines, and fees for permits and licenses.

Table 3 shows a list of items in the budget that provide revenue through service charges, licensing, and permits with the revenue raised in the FY 2005 approved budget. One option related to fees is to have the City staff regularly assess city services and suggest changes in fees and fines where it may be appropriate.



**Table 3. Revenues from Takoma Park Service Charges**

Category	Service	FY 2005 Revenue	Comments
Service Charges	Protective Inspection & Rental Licenses	28,500	Multifamily Dwellings was \$68 in FY 2000
Service Charges	Commercial Inspections	40,000	\$75 & \$225 per business depending on sq. ft. of space
Service Charges	Public Parking Facilities	54,000	Parking meters
Service Charges	Waste Collection and Disposal	85,000	Public Works from Multi-family Housing
Service Charges	Classes	32,000	Recreation Dept.
Service Charges	Sports	14,000	Recreation Dept.
Service Charges	Youth Outreach	3,000	Recreation Dept.
Service Charges	Special Programs	10,000	Recreation Dept.
Service Charges	Summer Camp	35,000	Recreation Dept.
Service Charges	After School Program	50,000	Recreation Dept.
Service Charges	Facility Rental	5,000	Hefner and Municipal Building
Service Charges	Library Fines	20,000	
Service Charges	Takoma Langley Contractual Services	18,000	Takoma Langley – revenues from classes by outside contractors
Service Charges	TL Recreational Membership	5,000	TL – Rec. Center, gym & weight room
Service Charges	TL Facility Rental	8,000	Takoma Langley
Service Charges	TL Programs	19,000	Takoma Langley
Service Charges	Donations	5,000	
	<b>Total Service Charges</b>	<b>621,500</b>	
Miscellaneous	Copying	3,000	
Miscellaneous	Advertising – Bus Shelters	4,000	
Miscellaneous	Farmers Market	3,500	
Miscellaneous	Telephone Commissions	1,000	For pay phones
Miscellaneous	Recyclable Sales	1,000	Public Works
Miscellaneous	Mulch Sales	12,000	Public Works
Miscellaneous	Passport Service	30,000	
Miscellaneous	Special Trash Pickup	8000	Public Works
	<b>Total Miscellaneous</b>	<b>62,500</b>	
	<b>Grand Total</b>	<b>684,000</b>	

Source: Takoma Park Approved FY 2005 Budget and City Revenue Handbook

## Monitor the City Share of Intergovernmental Grants

The County's fiscal year 2005 budget includes \$73.3 million in grant revenue, primarily from state and federal sources, for well over 150 programs. The grants range in scope from affordable housing to alcohol and drug abuse prevention, to refugee assistance. Many of these grants not only provide projects and services to County residents, they help fund the County government by allowing for administrative costs.

An overwhelming majority of the grants that the County receives are not "passed through" to, nor duplicated by, the City of Takoma Park. The primary question we should be asking regarding these non-pass-through/non-duplicated funds is whether Takoma Park residents are receiving their fair share of the benefits these grants provide. Fair share might be determined by estimating Takoma Park's portion of the County's eligible resident population. A limited analysis (perhaps looking at just a few of the larger grants) might help us gauge Takoma Park residents' relative participation in countywide programs.

The County passes through some funds from a very limited number of programs to Takoma Park. The FY 2005 Takoma Park budget includes \$179,525 in CDBG funds from the county's federally mandated allocation of \$4.3 million. This represents an adequate "fair share" amount since it approximates the City's portion of Montgomery County families in poverty. Other than the Community Development Block Grant (CDBG), however, the city's access to these funds is inconsistent from year to year.

The City could analyze the County's distribution of state and federal grant funds in order to determine whether residents of Takoma Park are receiving their "fair share". It is important to keep in mind that Takoma Park residents not only provide the County with revenue directly from tax collections, but also from revenues based on its total population and estimates of resident and community needs. The City's share of the benefits provided by those revenues should be proportionate to its share of the County's needs.

## Summary of Recommendations

Based on the findings and analysis above, the Committee offers the following options for enhancing Takoma Park revenues.

- The City should negotiate more accurate rebates for services duplicated by the County and City;
- The City should advocate reform of the County's income tax pass-back by calculating the pass-back based on the City's property tax rate relative to the County's property tax rate, or by increasing the 17 percent floor;
- The City should initiate discussions of regional revenue sharing with county and state officials, as well as with regional government entities such as the Metropolitan Washington Council of Governments;
- The City should extend revenue sharing agreements to the County's "other taxes" derived from Takoma Park, such as extending the 50/50 share of the hotel/motel tax to bed and breakfasts, and retaining some portion of real property transfer taxes and recordation taxes;
- The City should seek to institute a system of payments in lieu of taxes from major Takoma Park nonprofits, such as Washington Adventist Hospital;
- The City should negotiate payments from the County for services provided to county institutions inside city limits, such as Montgomery College and the public schools;
- The City should regularly assess city services to determine where service charges, fines, and fees for permits and licenses might be increased; and
- The City should monitor intergovernmental grants to ensure that Takoma Park gets a fair share of the grants based on city need.



# Chapter Three: Analysis of City Services

## Section One: Police

FY 2005 County Police Rebate	\$ 2,556,903
County Cost Rebate Estimate	\$ 3,288,243
City Cost Rebate Estimate (with administration and capital expenditures)	\$ 4,511,981
Actual City Expenditure (excludes general administration and capital expenditures)	\$ 4,430,447

### *Background*

The City of Takoma Park is one of four municipalities in Montgomery County that maintains a municipal police department<sup>2</sup> and the only one to maintain a full-service municipal police force. The Takoma Park Police Department (TPPD) provides patrol, communications (dispatch), criminal investigation and special events support services.

The Takoma Park Police Department maintains an authorized strength of 41 sworn officers. It relies on the Montgomery County Police Department (MCPD) for additional support in limited circumstances, particularly when highly specialized response or investigative expertise is required.<sup>3</sup> The Montgomery County Police Department deploys some 1,200 police officers throughout the County.

Takoma Park's responsibility for primary police coverage within the boundaries of the City began in 1949 when Takoma Park and Montgomery County initialed an agreement for the City to assume responsibility for response to calls for service. Today three agreements or Memoranda of Understanding (MOU) between the City Takoma Park and Montgomery County govern the operational relationship between the TPPD and the MCPD. These documents are:

- The Operational MOU, which describes the working relationship between the two departments;
- The Rebate MOU, which provides the formula governing County reimbursement of the City for police service the County is relieved of providing; and
- The Emergency Management MOU, which details the operations that would exist in the event of a declaration of a state of emergency.

Under state law, the County reimburses the City based on the level of service the *County would provide* were it exclusively responsible for providing police service in Takoma Park. The rebate does

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<sup>2</sup> Police departments are maintained by the municipalities of Takoma Park, Rockville, Gaithersburg and Chevy Chase Village.

<sup>3</sup> Specialized expertise maintained by the Montgomery County Police Department includes a high-risk entry team (SWAT), hostage negotiation assistance, hazardous materials crime scene search capability, and reconstruction know-how in the investigation of fatal auto accidents. Montgomery County is also capable of providing additional manpower, although this is rarely requested by Takoma Park.

not equal the actual cost the City presently incurs for police service. The final determination on the size of the County rebate, if any, rests with the County -- with no official recourse available to the City. This is the defining framework for all duplicative services provided by the City and County, regardless of the size of the tax bill that City residents pay to the City and the County.

The police rebate MOU requires the County and the City to meet and discuss the rebate formula every three years, or as requested by either party. The County and the City signed the current rebate MOU in January 2003.

Policing in Takoma Park is a large budget item. In FY05, the City budgeted \$4,430,447 for police services, representing nearly one-third of the City budget. The City received approximately \$2.5 million<sup>4</sup> from Montgomery County to offset the duplicative payment by City residents of taxes to the County for police services. This is the largest County rebate received by the City in any duplicative service area, representing 77 percent of the total rebate monies received by the City. It offsets 56.4 percent of the City's expenditures on police services.

Thus, despite the relative size of that payment, it still means that Takoma Park residents ultimately pay twice as much for City police service than what they would pay if Montgomery County were the exclusive provider of police service to Takoma Park – at least according to the County and its administration of the rebate formula that generates the County's offset payment.

The current rebate formula reflects the amount the County would spend to provide police services to the City based on:

- The number of calls for service the City receives;<sup>5</sup>
- The County salaries of patrol officers and sergeants; and
- The County's costs for the operation and maintenance of its police vehicles

For FY05, this results in the County's payment of:

- Salaries, benefits and equipping of 28 patrol officers, 2 criminal investigation officers, and 3 sergeants,<sup>6</sup> and

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<sup>4</sup> Two overall calculations determine the County's rebate for police services. State and County law (Article 81, Section 32A, of the State Annotated Code and Montgomery County Code 30A, by Resolution 9-1752 of the County Council) require the County to pay an amount that is 0.048 per \$100 of the assessed property in Takoma Park for police services. In FY05, that calculation yielded \$453,810 as payment by Montgomery County to Takoma Park for police services. Because that calculation so inaccurately represents the attributed costs of County police coverage, Montgomery County and Takoma Park since 1996 have devised a supplemental rebate, based upon the formula contained in a negotiated memorandum of understanding. In FY05 that amount was \$2,061,000.

<sup>5</sup> The Takoma Park Police Department responded to approximately 20,000 calls for service in 2004. This number has decreased over the last three years, as have the number of reported crimes in the City. In its determination of the police rebate, the County applies a complex formula to the number of calls for service in Takoma Park, taking into account the severity of the underlying incident and other factors, arriving at an annual aggregate "weighted workload" for the department.

<sup>6</sup> The County rebate reimburses the City for the salary of 33 patrol officers; the Takoma Park Police Department retains an authorized level of 41 sworn department positions. The City currently employs seven investigators.

- \$7,594 in patrol vehicle costs.<sup>7</sup>

In addition, the County has agreed to return \$121,738 to the City for its expenditures in the hiring of school crossing guards.

Rebates are paid by Montgomery County to the City of Takoma Park once a year based on the audited figures from two years prior, without a price index adjustment.<sup>8</sup>

As reflected in the table below, the city has spent nearly \$2 million more for the delivery of police services in FY05 than it receives from the County as reimbursement for duplicative police service. The City's net costs for police service represent a significant expenditure, representing 29 percent of the City's total FY05 expenditures.

**Table 4. FY05 Takoma Park Police Department Budget and Rebate Allocation**

Service	Budget	Rebate	Net Expenditure
Office of the Chief	432,445	-0-	432,445
Communications	348,645	-0-	348,645
Operations (Patrol)	2,419,851	1,829,000	590,851
Criminal Investigations & Witness Services	573,667	232,000	341,667
Administrative Services	655,839	-0-	655,839
County Code Specified Rebate		453,810	
<b>Totals</b>	<b>\$ 4,430,447</b>	<b>\$ 2,514,810</b>	<b>\$ 1,915,637</b>

The Committee believes that the \$2 million additional cost that Takoma Park residents pay for police service is due to two primary factors:

- The City of Takoma Park's conscious choice to provide police service that is more community-oriented and labor-intensive than the level of police service provided by Montgomery County; and
- The failure of the County to adequately recognize in its police rebate additional costs associated with what it would comprehensively spend were the County to extend police coverage to Takoma Park.

## *Options*

In light of the above, two broad sets of options are available to the City.

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<sup>7</sup> The rebate for police vehicles is based upon an amortized value of the County's police vehicles, plus annual costs of maintenance, fuel and other costs. The City anticipates the County's FY06 reimbursement for patrol vehicles to be considerably higher -- \$12,345 -- due to the County's installation of PS2000 computer and communications equipment in its cars.

<sup>8</sup> For example, the FY05 rebate is based on actual costs from FY03.

The *rebate reconciliation* options focus upon mutual corrective effort by the County and the City to assure that the underlying rebate formula more accurately reflects the County's entire attributed costs associated with the patrol, communications/dispatch and criminal investigative coverage.

After the County rebate is appropriately corrected, it also is helpful to identify those additional options that could bring further police cost-savings to the City through alternative delivery of certain police services to Takoma Park. The *alternative service delivery* option focuses on the potential transfer of certain Takoma Park police services to the County, thereby reducing City costs associated with its administration of a full-service police department.

## Rebate Reconciliation

This option involves the City's more intensive pursuit of rebate coverage in certain areas of duplicative police costs. The Committee finds that the County rebate formula for police services does not sufficiently recognize the full range of costs associated with its patrol and criminal investigative services.

Specifically, the Committee finds that the County formula does not adequately recognize:

- County police patrol costs;
- County police overtime costs;<sup>9</sup>
- County police administration costs;<sup>10</sup>
- County communications costs;
- County police facility costs ;
- County police supervisory and command costs;<sup>11</sup>
- County costs related to consumable materials; and
- Patrol incident follow-up costs.<sup>12</sup>

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<sup>9</sup> The current rebate formula does not take into account County police overtime costs, which are driven by considerable understaffing of the MCPD police force. The County Executive's FY06 budget request for 50 additional police officers each year for the next five years acknowledges County police understaffing.

<sup>10</sup> A recent study commissioned by the City of Rockville estimated that County police administration costs associated with patrol operations increase the total patrol costs as much as 59%. *Policing the City of Rockville – A Study of Alternatives for the Provision of Police Patrol*, MAXIMUS, Inc., January 2004, at 58.

<sup>11</sup> The county rebate includes only Sergeants in their reimbursement formula for command staff. The span of control and shift assignments necessary for adequate County coverage of Takoma Park suggests that one or more lieutenant positions would be necessary, along with partial oversight by higher command levels.

<sup>12</sup> The County uses a "weighted workload" approach toward measurement of how much police effort – and ultimately dollars – are involved in police response to calls for service in Takoma Park. The weighted workload approach looks at the number of calls for service that the City receives and then calculates the amount of first-responder effort the County would have provided, based on the severity of the crime, need for back-up units and scene commander, etc..

## Exploring Alternatives to City Delivery of Services

As noted above, the city currently spends nearly \$2 million more for the delivery of police services than it receives from the County as reimbursement for the City's delivery of police services. Even when the City receives an equitable County rebate that takes into account the areas described above, it is unlikely that the increase in revenue would entirely offset the City's police expenditure, due to economies of scale associated with the maintenance of a full-service police department and distinctive differences between City/County coverage.

Additional savings, however, could come about through a range of options of alternative police delivery services, including:

- Reductions in City police staffing and services, particularly reductions in response to certain kinds of service calls currently satisfied by the City;
- Shared responsibility for police service between the City and County; and
- The City's transfer of responsibility for the delivery of police service to the County

These options are described below.

### **Reductions in Takoma Park Police Service**

The reduction of any governmental service always raises concerns. And the prospect of a reduction in police services – resulting in the public perception that personal and community safety may be endangered – may be especially problematic.

However, if Takoma Park residents are paying nearly twice as much for City police service than they would pay if Montgomery County were providing police services to Takoma Park, at least according to current County calculations, then it may be useful at the very least for the City to more thoroughly examine what the County level of police service embodies and whether that level of service represents an acceptable or unacceptable level were it applied to Takoma Park.

For example, the Montgomery County Police Department maintains a telephone call center to receive citizen reports of certain types of non-violent incidents (for example, non-violent auto theft) that MCPD considers do not require an immediate on-scene police response. The service call center prepares the report of the incident and enters it into MCPD's tracking system; follow-up on-scene investigative response by MCPD may or may not be required. The Takoma Park Police Department, on the other hand, dispatches one or more officers to nearly all calls for service to provide an immediate on-scene presence and also requires the patrol officer to provide any immediate investigative attention, if required and spend additional time writing-up the incident report.

If Takoma Park were to reduce its on-scene response to certain kinds of calls for service and instead handle calls for service in a manner similar to MCPD, that route is likely to result in savings, but

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However, the County does not take incident follow-up activity into account. The Rockville police study estimated that police work unit time can increase by as much as 50 percent when incident follow-up activity is counted.



at what cost to resident satisfaction with policing in Takoma Park? Takoma Park residents are accustomed to an attentive “personal” style of police coverage that is an integral part of the City’s community-oriented policing strategy. The balance between costs and community policing should be more carefully studied to identify potential realignments in service coverage that minimally disrupt neighborhood policing and the integration of the police in the community.

### **Shared Responsibility for Police Service with the County**

As noted previously, the City of Takoma Park is the only municipality in Montgomery County to operate and maintain a full-service police force, providing patrol, communications (dispatch), criminal investigation and special events support services. Rockville, Gaithersburg and Chevy Chase Village each rely significantly upon the County for police protection. Takoma Park’s reliance upon and collaboration with the County is much more limited. Interestingly, while Rockville and Gaithersburg possess populations three times larger than Takoma Park’s -- and square mileage more than five times greater -- both Rockville and Gaithersburg maintain a shared responsibility with Montgomery County for police services within their respective municipal boundaries.<sup>13</sup> Montgomery County, however, does not reimburse Rockville, Gaithersburg or Chevy Chase Village for the police services that each municipality provides.<sup>14</sup>

The sharing of policing responsibility by the City of Rockville with Montgomery County relies upon Rockville’s performance of patrol services and the County’s receipt of 911 calls and the primary dispatch of Rockville police officers in response. Rockville assumes responsibility for the more community-oriented and personal aspects of policing with an emphasis on comprehensive community service, emphasizing positive, non-confrontational engagement by its police with residents of the community.

Rockville maintains a non-emergency dispatch operation and City dispatchers conduct record and warrant checks, after-hours dispatching for the City’s public works department, and monitoring of all City facility alarms. City dispatch officers handle front desk inquiries, such as walk-in complaints, and motor vehicle checks are performed by both Rockville and County officers. The Criminal Investigations Section operates as a group of investigative generalists utilizing knowledge of the local areas to resolve frequently occurring crimes not requiring extensive specialized training. The County police department provides investigative resources for major crimes and motor vehicle accidents resulting in fatalities.

According to a consultant study of the Montgomery County and Rockville police, the Montgomery County Police Department regards the Rockville police force as an excellent source of

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<sup>13</sup> To provide for adequate coverage, MCPD now maintains a separate district for Gaithersburg.

<sup>14</sup> More recently, the City of Rockville has expressed concern about the fairness of the lack of any reimbursement by Montgomery County for its police services. A study in January 2004 for the City of Rockville by MAXIMUS, Inc., a consulting firm, concluded that a significant tax inequity on duplicative police coverage by Rockville existed, warranting the County’s return of at least \$1,757,364 to Rockville in recognition of the savings that the County receives from Rockville’s police services. The study also examined whether Rockville should expand its police force from a shared-force relationship with the County to one in which Rockville assumed all patrol duties. The study recommended that the City of Rockville refrain from expanding its police department to provide exclusive patrol services, [u]nless it is able to gain a significant portion of its tax payments that are now going to the County to fund patrol by County officers in Rockville ...” *Policing the City of Rockville – A Study of Alternatives for the Provision of Police Patrol*, MAXIMUS, Inc., January 2004, at 3.

intelligence about crime patterns and repeat offenders, information that is readily exchanged due to the day-to-day interaction between the MCPD and Rockville police. This provides for tracking of Part 1 crimes, sex offenses, weapons violations, drug offenses and even vandalism problems. Concurrent use of the same radio system by the MCPD and the RPD also provides for helpful information exchange, especially on activity adjacent to the Rockville boundaries. The consultant study compared the degree of MCPD collaboration with the Takoma Park police and noted that some MCPD officers observe that they are “may be missing important intelligence about such things as crime spillover because Takoma Park is now a completely separate department.”<sup>15</sup>

The relatively successful experience of shared responsibility for police services between the cities of Rockville, Gaithersburg and Chevy Chase Village and Montgomery County warrant Takoma Park’s serious examination of the prospect of shared policing coverage by Takoma Park and the County. Takoma Park-Montgomery County police partnerships could involve, for example, shared TPPD/MCPD patrol coverage in the City, integrated communications (dispatch) responsibility, as well as the assumption of primary criminal investigation responsibility by Montgomery County. Each of these areas, the Committee believes, should be explored with attention to their benefits and costs. While the savings to the City of Takoma Park could be attractive, the dimensions of shared City-County police responsibility are complex. The change in the character of the police coverage and police interaction with Takoma Park residents could pose significant changes. Regardless, so long as the City of Takoma Park continues to provide substantial police coverage to Takoma Park in ways that reduce the County’s police burden, the City’s entitlement to a fairly valued County rebate for police services should remain undisturbed.

The Committee devoted particular attention to the merits and savings associated with two partnership options: greater integration by the City and County of police communications and patrol dispatch responsibility, as well as the potential transfer by the City of primary criminal investigation responsibility to the County. These two options are described below.

### **Police Communications (Dispatch)**

The City’s police department maintains a 24-hour communications function, dispatching TPPD patrol units to calls within the City, conducting records and warrant checks, receiving front desk inquiries and maintaining round-the-clock reception and building security role at the Municipal Building. The Department employs six full-time dispatchers and currently has a vacancy of two dispatchers and one supervisor. Salary costs associated with TPPD dispatch personnel in FY05 are \$349,000.

The potential transfer by the City of Takoma Park of police communications and dispatch responsibility to Montgomery County would involve the City’s principal reliance upon the Montgomery County Police Department’s communications system, including the County’s receipt of calls for service and dispatch of Takoma Park patrol officers to incidents in Takoma Park. It would set aside the City’s use of its current radio console and rely upon the County’s current radio communication and dispatch system for the dispatch of City’s officers and patrol cars. Communications work station linkage by TPPD command with the County and other jurisdictions, as well as contact with TPPD officers and patrol cars, would be retained.

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<sup>15</sup> *Id.* at 37.

The transfer to MCPD of Takoma Park's police dispatch coverage would involve staffing and technological realignments. Six police dispatchers are currently employed by TPPD. Cost savings could be accrued through the elimination of their positions. However, their performance of additional non-dispatch-related administrative responsibilities for TPPD, as well as the provision of after-hours front desk reception for the municipal building, would need to be absorbed by current or additional staff.

The technological implications of dispatch transfer are more considerable. If the City continues to *retain* police communications and dispatch responsibility, it faces upgrade and maintenance costs in the short run. The software and hardware associated with the TPPD radio console is becoming increasingly outdated and limited in the services it can provide. If the TPPD retains its dispatch capability, it faces costs up to \$90,000 to update the radio console, particularly to integrate it with the County's Computer Aided Dispatch (CAD) and Record Management System (RMS). The precise upgrade costs will be defined ultimately by the level of integration with the County that the City pursues. Transfer of TPPD dispatch responsibility to the County would permit the City to avert a significant amount of that upgrade expense.

The Committee believes that the cost-savings associated with TPPD's transfer of dispatch responsibility to the County warrant further in-depth study. This is a complex issue, but one that could provide financial benefits to the City if realignment of the communications function maintains or improves the operational capability of Takoma Park's police force.

### **Criminal Investigation Division (CID)**

The CID has responsibility for responding to and investigating all Part I offenses (murder, rape, robbery, burglary, etc.) The TPPD deploys seven officers for this function with an operating cost for FY05 of \$574,000. Montgomery County's police rebate provides \$232,000 to the City of Takoma Park for criminal investigative services. This means that the City expends \$342,000 more for detective and criminal investigative work than it would be required to spend, according to County rebate calculations, were the County to assume responsibility for some of the criminal investigative services in Takoma Park.

The transfer of *partial* criminal investigative responsibility to MCPD for incidents occurring in Takoma Park would build upon the considerable expertise and resources the County maintains in the investigation of homicides, rape, major narcotics, sex crimes, and other crimes. The transfer of criminal investigative responsibility by the City to Montgomery County for some crimes would not eliminate all seven positions in the TPPD criminal investigation division. The TPPD's maintenance of a streamlined criminal investigation unit would retain TPPD responsibility for burglaries, street robberies, theft and auto theft, with responsibility held by one or more Station or District Detectives on the Takoma Park force. The Station or District Detective position is an eligible position for County reimbursement under the current rebate formula. Preservation of some criminal investigation responsibility within TPPD also would provide Takoma Park police officers with further incentive to remain with the Takoma Park force, offering experience and a 'piece of the action' in more interesting cases. City and County investigators already confer on some cases, sharing information on incidents potentially involving a serial perpetrator and other trends. According to TPPD officials, the City would still need to retain at least two officers and possibly a supervisor to handle Internal Affairs and EEO complaints and to follow-up on lesser offenses (Part II offenses).

### **Transfer of the Entirety of Police Operations to the County**

As noted previously, police services in Takoma Park currently constitute nearly one-third of the entire City budget, and Takoma Park residents pay nearly twice as much for City-staffed police coverage than other Montgomery County residents pay, according to County rebate calculations. The case for equitably increasing the County's police rebate, the Committee believes, is considerable. If rebate enhancement or pursuit of the shared service delivery options detailed above cannot be achieved, then comprehensive assessment of all options includes one final choice. This involves the transfer of the entire police service responsibility from the City of Takoma Park to Montgomery County.

Obviously, this option is the most far-reaching, and it does not bear the endorsement of the Committee. However, the County could potentially provide *adequate* police services for the residents of Takoma Park – at a considerable cost savings to Takoma Park and its residents. Montgomery County's assumption of police responsibility would generate economies of size and a consistency of operation throughout much of the county.

No other municipality in Montgomery County similar to or greater in size to Takoma Park has ceded full control of policing to the County. This option could result in a reduction in personalized, community-oriented policing, loss of local control and increased response times to calls for service were MCPD to assume full control.<sup>16</sup>

Should the City consider exploration of this option because of its cost savings, it obviously would require extensive dialogue with the community about its implementation and implications.

## ***Summary***

The County rebate -- \$2.5 million in FY05 -- represents only about half of what the City spends on police services, in large measure because the County contends that it would not, in the absence of a municipal police force, provide the same level of protection and services that the City currently provides.

The Committee offers the following recommendations regarding police services, which may generate about \$1 million annually:

- The City should seek a higher rebate from the County for costs currently not fully recognized by the County, including those associated with:
  - Police patrol and follow-up
  - Administration
  - Facilities
  - Supervisory and command personnel
  - Communications

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<sup>16</sup> The average response time for calls received by the Takoma Park Police Department is three minutes; the Montgomery County Police Department patrol deployment design standard is seven minutes.

- Other areas

- The City should seek a larger portion of the State Police Grant.
- The City should investigate the option of a “shared patrol” police force, modeled on the arrangements currently existing in Rockville, Gaithersburg and Chevy Chase Village, in which city officers handle the “personal” aspects of policing while the County handles major crimes and fatal accidents.
- The City should investigate the option of transferring all or some of the duties for “911” communications and dispatch to the County.
- The City should investigate the option of transferring a portion of its criminal investigation responsibility to the County.

The Committee also considered other options, including the transfer of all police services to the County for a savings of approximately \$2 million annually, but the Committee did not recommend this option since it would result in a reduction in personalized services, local control and efficiencies such as response time.

## Section Two: Public Works

FY 2005 County Road Maintenance Rebate	\$ 339,903
County Cost Road Rebate Estimate	\$ 581,756
City Cost Road Rebate Estimate (with administration and capital expenditures)	\$ 974,609
Actual City Road Expenditure (excludes gen. administration and capital expenditures)	\$ 787,820

### *Background*

The mission of the Takoma Park Public Works Department is to maintain the public infrastructure and physical assets, and to provide safe and sanitary conditions for city residents and employees. The Public Works Department employs an administrative staff, field staff, and a city engineer to implement six programs: building maintenance, vehicle/equipment maintenance, right of way maintenance, solid waste management, urban forest and gardens, and a storm water management fund.

The only significant difference between the mission of Montgomery County Public Works and Transportation Department and the mission of Takoma Park's Public Works Department is the County's operation of Ride-On buses and related services.

The City maintains 34.60 miles of residential streets but does not own or maintain the following state roads: Piney Branch Road, Philadelphia Avenue, Ethan Allen Avenue, New Hampshire Avenue, Carroll Avenue, Flower Avenue (between Piney Branch and Carroll Avenue only), University Boulevard, and Sligo Creek Parkway.

City road crews take care of snow removal from streets and public sidewalks, street cleaning, leaf removal, and upkeep of public spaces in commercial areas such as Old Town, Takoma Junction, and the Takoma/Langley commercial development area. Renovations of curbs, gutters, sidewalks and street paving are managed by the city engineer, who is assigned to the Public Works Department.

City park crews handle the maintenance and improvements of several city-owned parks, including Jequie, Spring, Forest and Jackson-Boyd, as well as other public grounds and gardens. The City's arborist is a member of the Public Works staff and oversees the nurturing and replenishment of Takoma Park's urban forest, including trees located on private property.

City solid waste crews handle the collection of refuse, recyclable materials, leaves, yard trimmings and bulk items.

## ***Findings***

The City provides a duplicative service in three areas:

- Solid waste management;
- Park maintenance; and
- Road maintenance.

The FY05 budget for public works was \$3,189,784 and supported a staff of 33.07 full-time equivalents. However, under the current accounting system the City cannot determine precisely how much of the costs of overhead, administration, equipment maintenance and capital outlays should be attributed to road and park maintenance. According to the City's FY05 budget, the only identifiable personnel and operating costs attributed to road maintenance are the crack filling program (\$102,611), street sweeping costs (\$49,052), and leaf collection costs (\$112,774).

The City received \$411,643 in public works-related rebates from Montgomery County to reimburse Takoma Park for:

- Road maintenance (FY05: \$339,903)
- Park maintenance (FY05: \$71,740)

The County does not provide the City a rebate for solid waste management (trash collection) services. Takoma Park residents are exempt from a special fee that Montgomery County residents pay for solid waste management services provided by the County.

In 1996, Montgomery County established a Tax Duplication Task Force to develop an equitable reimbursement formula for transportation expenditures. The proposed formula focused on two components: the County's cost of road maintenance, and the percentage of County expenditures paid for with property taxes. Accurate reference to the County's costs for road maintenance is important because under state law, the County reimburses the City based on the level of service the County would provide were it exclusively responsible for providing road maintenance in Takoma Park. The rebate does not equal the actual cost the City presently incurs for road maintenance – it rests upon what the County's costs are.

## **Roads**

The City's known cost for road maintenance in FY05 was \$787,820, though this number does not include capital expenditures, administrative overhead, vehicle maintenance costs or costs of servicing a new \$2 million bond to accelerate road repairs.

The County rebate for road maintenance was \$339,903. However, the County subtracted a percentage of the \$355,786 the City received in FY05 from the State of Maryland in highway funding.

The current rebate is based on a payment-per-mile multiplier of \$15,763. The variables are: roadway maintenance, bridge maintenance, storm damage, roadway resurfacing, capital improvement projects, traffic signs and pavement markings, and street light maintenance costs. Overhead and administrative costs, as well as capital outlays, are not included.

Only the percentage of County costs paid for by property taxes is counted as part of the formula. Highway user revenues and other special charges and fees are not counted. In FY05 those miscellaneous funds paid for 38.3 percent of the County's road expenditures, while property taxes paid for 61.7 percent. The percentages have changed little since 1996.

A specific rebate exists for bridge maintenance, calculated at \$16 per bridge, an inadequate amount to maintain the safety of Takoma Park's two bridges.

## **Parks**

The park maintenance rebate from the County is \$71,740, and the City's cost for maintaining the parks was \$266,080 in FY05. The City's cost includes \$137,160 on general playground and grounds maintenance and \$113,920 in the gardening division designated for maintenance of landscaping in parks and gardens, as well as an estimated \$15,000 for the arborist's care of trees on public property.

It is not known how the rebate currently is calculated. The original formula was based on a cost accounting system used by the Maryland-National Capital Park and Planning Commission in FY88. The County continues to use the 1988 formula, indexed for inflation, although the accounting system is no longer in operation. At this point, neither county nor city staff was able to tell the Committee the variables that form the basis of the formula.

It is known, however, that administrative costs, overhead costs and capital outlays are not included in the rebate.

The tax duplication calculations for parks can be confusing due to the varying funding sources and agencies involved. The park jurisdiction is shared among Takoma Park, Montgomery County and the Maryland-National Capital Park and Planning Commission. A summary of responsibilities and funding sources are included in Appendix D, "Overview of Governmental Responsibility for Parks, Recreation, Public Works and Planning in Takoma Park."

In general, the City maintains city parks better than the County maintains county parks within the city limits. Ceding park maintenance to the County likely would lead to diminishing services and unsightly parks. Because of the distant location of the County's nearest maintenance yard, in Bethesda, and associated problems with rush-hour traffic, county crews are not able to schedule the requisite number of grass mowings, cleanups and other maintenance work in Takoma Park. The City has discussed assuming maintenance of county parks located inside the city, but since the County would not agree to subsidize this transfer, the City declined to take on the additional cost.



## Solid Waste Management

The City and County's services for collecting refuse, recyclable materials and yard trimming are similar, except the City accounts for leaf collection as part of road maintenance. Despite this duplication, however, the County pays no rebate to the City.

The City's estimated cost for managing solid waste is \$189 per participating household, plus a mandatory base system charge of \$40, totaling \$229. By comparison, the County calculates its cost for the same service at \$323 per household. The County charge appears on a property owner's tax bill as a fee whereas the City's cost is bundled into the property tax. This distinction allows Takoma Park homeowners to write off the cost of solid waste management on their income taxes.

In terms of homeowners, the City's current cost structure is progressive since owners of more valuable homes pay more in property taxes than owners of less valuable homes. It should be noted that tenants and apartment-building owners do not receive any solid waste services even though they contribute to the general property tax base. Certain condominium residents pay for solid waste management via property taxes even though city crews do not pick up their trash or recyclables.

**Table 5. Summary of Solid Waste Management Services**

<b>Takoma Park Services</b>	<b>Montgomery County Services</b>
Refuse, yard trimmings, recycling	Refuse, yard trimmings, recycling
\$10 fee for 5 items per special pick up	4 free special pickups for bulk items (e.g., furniture and non-recyclable items)
	Unlimited special pickup for white goods (e.g., appliances or metal that's recyclable)
	Leaf Collection – 2 pickups during fall

**Table 6. Summary of Montgomery County Waste Service Charges<sup>17</sup>**

<b>Montgomery County - solid waste collection and leaf jurisdiction<sup>18</sup></b>	<b>Cost</b>
Disposal Charge (base x billing rate of 1.01288)	\$ 52.67
Base System Charge	39.69
Incremental System Benefits Charge	96.92
Refuse Collection Charge	66.00
Leaf Vacuuming Charge	67.78
<b>Total</b>	<b>\$ 323.06</b>

<sup>17</sup> The summary Waste Service Charge tables are included to illustrate what a Takoma Park household would pay if the service were provided by the County. Note that the County charges are fees and the City costs are incorporated in the general property tax rate, paid for by all property-tax payers, not just the 4,270 homeowners who receive the service. Another difference is the special pickup of bulk items. The City charges residents \$10 for five items per special pickup whereas the County provides four special pickups for bulk items that cannot be recycled and unlimited pickup for metal items that can be recycled (so-called "white goods," such as appliances).

<sup>18</sup> FY05 Solid Waste Service Charges to Be Collected Via Real Property Accounting. Montgomery County Web Site: [http://www.montgomerycountymd.gov/content/finance/pdf\\_finInfo/LevyYear2004/FY05SolidWaste%20Bill.pdf](http://www.montgomerycountymd.gov/content/finance/pdf_finInfo/LevyYear2004/FY05SolidWaste%20Bill.pdf)

**Table 7. Summary of Takoma Park Waste Service Charges<sup>19</sup>**

<b>City of Takoma Park<sup>20</sup></b>	<b>Program Cost</b>	<b>Cost per household served<sup>21</sup></b>
Base System Charge		\$ 39.69
Refuse Program (4,300 tons annually)	\$ 453,873	120.00
Recycling Program (1,400 tons annually)	187,521	49.00
Yard Trim Program (450 tons annually)	45,833	20.00
Appliance Collection (less est. revenue \$8,000)	3,645	.85
Leaf collection costs (less est. revenue \$20,000)	92,774	21.72
<b>Total</b>	<b>\$783,646</b>	<b>\$ 251.26</b>

## *Options and Recommendations*

### **Generating additional revenue for public works in Takoma Park**

#### **Recommended options:**

- **Pursue Higher Rebate:** The City should seek a higher rebate from the County for road and park maintenance by adding in the County's costs of overhead and capital. Prior to a new negotiation, however, the City should establish a better accounting system to itemize those costs. This option is expensive and requires technical assistance, but failure to know the actual costs could leave the City short-changed during negotiations;
- **Consider Contracting Road Maintenance to the County:** The City should ask the County for a cost estimate of contracting out road maintenance to county staff. If the estimate affords the City an opportunity for substantial savings, the City should consider contracting with the County for this service. However, city residents must consider that the County may not respond to their requests in a timely manner;
- **Request County Audit:** The City should request an audit of the County's expenditures supported by property taxes, which may result in a more accurate rebate both for road and park maintenance; and

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<sup>19</sup> The summary Waste Service Charge tables are included to compare County fees to what a Takoma Park household would pay if the service were provided by the County. Note that the County charges are fees and the City costs are incorporated in the general property tax rate, paid for by all property-tax payers, not just the 4,270 homeowners who receive the service. Another difference is the special pickup of bulk items. The City charges residents \$10 for five items per special pickup whereas the County provides four special pickups for bulk items that cannot be recycled and unlimited pickup for metal items that can be recycled (so-called "white goods" such as appliances).

<sup>20</sup> Proposed FY05 Budget: Public Works. 4/30/04

<sup>21</sup> Cost per household only assumes 4,270 households and does not include payments to the general property-tax base from non-household entities. The cost for non-households is difficult to calculate. It should be noted that many other property-tax payers contribute to the solid waste management cost, so the actual cost per household is lower than the \$251.26 estimate.

- Renegotiate Park Rebate Formula: The City should renegotiate the 1988 rebate formula for park maintenance since the accounting system on which the formula is based no longer is being used. The City should attempt to add overhead and administrative costs for park maintenance to the formula.

## **Alternative options for delivery of road, park & solid-waste services**

### **Options that are not recommended:**

- A transfer of trash pickup and recycling to the County: The City would gain savings on personnel and overhead by eliminating its current inventory of two trash trucks, one recycling truck and a cardboard-collection truck, as well as the current work force of four drivers and four laborers. However, without these employees, the City would lack a six-member snowplow crew during winter months and personnel for other seasonal duties, such as leaf collection. The effect on Takoma Park homeowners also may not be entirely beneficial. They would have to pay a fee to the County for solid waste services that cannot be deducted on income tax returns in the same way as deductions for property taxes;
- Transfer of park maintenance to the County: The City is in a better position to respond to residents' concerns and to address maintenance issues in a timely manner. If the County handled maintenance, it is highly likely the parks would deteriorate. Grass cutting and cleanup of city parks would occur less frequently; and
- Cede road maintenance to the County: It is unclear what effect this would have on road quality, although it should be noted the City is currently undertaking special remedial efforts to bring roads up to standards, funded with a \$2 million bond taken out in 2004. Also, the County could reject any unilateral attempt to cede road maintenance since the City owns its roads.

## ***Summary***

In FY05 the County rebated to the City \$339,903 for road maintenance and \$71,740 for park maintenance. The City's known cost for road maintenance in FY05 was \$787,820; for maintaining parks and public grounds it was \$266,080. Neither cost included capital expenditures, administrative overhead, vehicle maintenance or debt service.

### **The Committee offers the following recommendations for public works:**

- The City should seek a higher rebate from the County for road and park maintenance by adding in the County's costs of overhead, administrative expenses and capital expenditures;
- The City should ask the County for a cost estimate of contracting out road maintenance to County staff. If the estimate affords the City an opportunity for substantial savings, the City should consider contracting with the County for road maintenance;

- The City should also request an audit of the County's expenditures supported by property taxes, which may result in a more accurate rebate both for road and park maintenance; and
- The City should renegotiate the 1988 rebate formula for park maintenance since the accounting system on which the formula is based no longer is being used.



## Section Three: Recreation and Parks

FY 2005 County Parks Rebate	\$ 71,740
County Cost Rebate Estimate	\$ 75,678
City Cost Rebate Estimate (with administration and capital expenditures)	\$ 315,684
Actual City Expenditure (excludes general administration and capital expenditures)	\$ 266,080

FY 2005 County Recreation Rebate	\$ -
County Cost Rebate Estimate (Insufficient information to make estimate)	\$ -
City Cost Rebate Estimate (with administration and capital expenditures)	\$ 887,029
Actual City Expenditure (excludes general administration and capital expenditures)	\$ 1,045,394

### *Background*

An understanding of the current state of the City's delivery of recreation and park services rests upon the City's unique relationship to Prince George's County and Montgomery County. In 1927, the State of Maryland created the Metropolitan District for Montgomery County and Prince George's County, allowing local municipalities to opt out of paying a county property tax earmarked for recreation and parks. Rockville, Gaithersburg and Greenbelt chose to operate their own programs. Takoma Park decided instead to rely on both Montgomery and Prince George's counties as a primary source of recreation and park services.

Forty years later in 1967, Takoma Park established its own Recreation Department but again did not attempt to opt out of paying either the recreation or parks property tax. Montgomery County continued to provide numerous recreation programs within the City, including camps, adult classes and access to the pool at Piney Branch Elementary School. Prince George's County ran several successful programs from the recreation center and gym on New Hampshire Avenue, near Langley Park.

Meanwhile, the City focused the delivery of its recreation services, such as summer camps, to low-income families. The scope of the City's offerings expanded in the 1980's and 1990's but was hampered by the loss of three Montgomery County facilities within the City – one by fire, and two for safety reasons.

In 1997, following unification of Takoma Park entirely within Montgomery County, the City began to assume more responsibility for recreation and parks. The Prince George's County recreation staff withdrew from the City and transferred the New Hampshire Avenue recreation center to Montgomery County, which subsequently turned over operations of the facility to the Takoma Park Recreation Department through a memorandum of understanding. In the late 1990's the City also negotiated MOUs with the Maryland-National Capital Park and Planning Commission (M-NCPPC) and with Montgomery County Public Schools (MCPS) for permitting rights to the athletic fields adjacent to Piney Branch Elementary and Takoma Park Middle Schools. These arrangements allowed the Takoma Park Recreation Department, along with local volunteer-run nonprofit groups, to expand programming.

The changes also coincided with a decision by Montgomery County to eliminate recreation offerings inside Takoma Park and concentrate its programs at widely dispersed community centers, the nearest of which is the Long Branch community center on Piney Branch Road, outside city limits. In 2003, Montgomery County transferred operations of the Piney Branch Elementary pool to the YMCA, marking the end of county staffing of recreation programs and facilities inside Takoma Park.

Today the Takoma Park Recreation Department is the sole provider of government-run recreation services inside City limits, offering after-school programs, classes, sports and other activities at public schools, parks and fields, the New Hampshire Ave. facility and the current municipal building. Takoma Park's new community center, scheduled to open in stages in 2005, will be the first City-owned recreation facility. It will be a large venue for indoor programs and is expected to afford another significant increase in recreation services.

## Municipal Comparisons

Understanding of Takoma Park's recreational programs is also assisted by comparison to nearby municipalities. Over decades, both Rockville and Gaithersburg developed a large infrastructure for recreation and parks. Rockville owns two community centers, two gyms, seven neighborhood centers, a theater, a senior center, a swim center, a skate-park, numerous sports fields and a golf course. Plans are in development for a third community center and a gym. Gaithersburg owns a community center, two gyms, a senior center, an outdoor pool, athletic fields, a skate-park and has plans to build a second community center and third gym.

Greenbelt, a bedroom community in Prince George's County that is demographically comparable to Takoma Park, owns and maintains a community center, two youth centers, three gyms, athletic fields and an aquatic-fitness center.

### Comparison of Takoma Park and Nearby Municipalities

**Table 8. FY05 Municipal Spending on Recreation and Parks**

Municipality	Population	Recreation & Parks Spending (Total)	Recreation & Parks Spending (Per Capita)
Rockville	47,388	\$15,546,491	\$ 328
Greenbelt	21,456	\$4,111,900	\$ 192
Gaithersburg	57,242	\$7,498,763	\$ 131
Takoma Park	17,299	\$1,316,080	\$ 75

As the above chart reflects, Rockville has budgeted \$328 per capita in operating expenses for recreation and parks, Greenbelt \$192 per capita, and Gaithersburg \$131 per capita, all considerably more than Takoma Park.

Although the number and quality of recreational facilities within Takoma Park, as well as City spending on recreation and parks, is far less, Takoma Park in recent years has acquired control over the New Hampshire Avenue center and gym, two large athletic fields, and is nearing completion of a

community center. The City currently has an operating budget of \$75 per capita for recreation and parks which will increase approximately \$13 with the opening of the community center.

## ***Findings***

The City's recreation program is funded by general revenues. The FY05 budget is \$1,049,000, including \$75,000 for half-year staffing of the community center. Additionally, \$266,080 is budgeted for city-owned park and public grounds maintenance carried out by crews of the public works department.

Takoma Park residents, meanwhile, collectively paid \$10.4 million in property taxes to the County in FY05, of which \$826,800 was allocated to the M-NCPPC and \$258,440 was designated by the County as the recreational tax.

Montgomery County pays the City an annual fee of \$100,000 to operate the New Hampshire Avenue facility and a \$71,740 rebate for park maintenance. In addition, the County contributed a cumulative \$2,300,000 in capital funds for Takoma Park's new community center. However, the County has not made any commitment to Takoma Park for assistance related to the operation and maintenance of the community center and programs therein.

## ***Options and Recommendations***

Building additional recreation facilities and expanding recreation programs in Takoma Park will require either increased revenue or the reprogramming of funds. The Committee believes reprogramming of funds is a policy judgment reserved to the City Council, but the Committee has considered options to assist the City in generating additional revenue.

### **Generating additional revenue for recreation & parks in Takoma Park**

**The following option is highly recommended as a means of gaining a tax cut for city taxpayers:**

- **Opt Out of the County Property Tax Earmarked for Recreation:** Although Takoma Park did not opt out of paying the County recreational tax in 1927, it is not foreclosed from reversing that situation. Today, the absence of county recreation programs within the City, the Takoma Park Recreation Department's expanded delivery of services, and the imminent opening of Takoma Park's community center collectively make the argument that the City should no longer be obligated to pay the annual recreational tax of approximately \$250,000. To opt out of the tax, the City must secure approval from the County.



**The following options are recommended as a means of increasing revenue for city taxpayers:**

- The Committee recommends the City request an additional annual payment from the County to cover ongoing operating expenses for recreation. This should be a set payment not open to regular revisions, similar to the payment for operations of Takoma Park’s library.
  - Negotiate an Annual Payment from the County for the City’s Delivery of Recreation Services: A substantial number of non-city residents participate in and benefit from the use of city programs, including underserved young people in nearby Silver Spring. The Takoma Park Recreation Department reports that non-city residents account for about 20 percent of those enrolled in city-run recreation programs. At the same time the City is required to provide recreation services to its own residents because the County no longer offers easily accessible programs, especially for the large percentage of city residents who work long hours and rely on mass transit. Even programs at the Long Branch community center are targeted to county residents in an area much greater than Takoma Park and are not geographically convenient to such Takoma Park population centers as the Maple Avenue apartment corridor. Montgomery County itself has recognized the breadth of need for recreation services in the down-county area and the singular role the City plays in addressing that need. County funding assistance for construction of Takoma Park’s community center – to date totaling more than \$2 million – testifies to the County’s ongoing commitment to support the delivery of recreation services locally.
- The Committee recommends the pursuit of a rebate as a third option, less preferable than an opt-out of the recreational tax or a set annual payment.
  - Negotiate a Rebate from the County Due to the Elimination of Proximate Recreation Services: Another alternative lies in the payment of a rebate for the recreational spending the City has taken on as a consequence of the County’s withdrawal of close-in programming. An equitable rebate, the Committee believes, should be greater than the \$100,000 the County currently pays each year. On the other hand, a rebate negotiation is complex and subject to renegotiation.

The Committee considers the following option to be less viable than the three options listed above:

- Negotiate an Abatement of the Maryland-National Capital Park and Planning Commission Tax: There is no way to determine how much of the approximately \$800,000 in Takoma Park taxes allocated each year to the M-NCPPC is spent on services within city limits, but M-NCPPC does attend to the Sligo Creek and Long Branch park systems as well as other parks (Opal Daniels, Takoma-Piney Branch, Takoma Urban Park, SSI Park, Takoma Park South Neighborhood Park, Takoma Park Neighborhood Park and the grounds at the recreation center on New Hampshire Avenue). It would be difficult for Takoma Park to follow the lead of Rockville and Gaithersburg, both of which pay essentially no M-NCPPC taxes and receive no direct benefits, because M-NCPPC

historically has not been willing to transfer maintenance of any section of the Sligo Creek and Long Branch park systems.

## **Exploring alternatives to city delivery of recreation services**

The Committee considered other options to improve local recreation services through partnerships with outside entities that would not necessarily result in an increase in City expenditures. In addition, the Committee considered whether savings could be obtained through divestiture of City recreation services to Montgomery County or to a private entity.

- The Committee recommends the City be creative and aggressive in finding new partners for recreation programming, bearing in mind the underserved must have fair access to the programs.
  - Pursue Partnerships with Public and Private Entities for Recreation Programs. With the opening of the new community center, opportunities will exist for the City to form relationships with other providers of recreation services, such as the Liz Lerman Dance Exchange. In such partnerships the City could make space available in exchange for delivery of services.
- The Committee recommends the City explore the possibility of gaining access to such facilities on a partnership basis for the enhancement of recreation services.
  - Pursue Partnerships with Public and Private Entities for Access to Facilities. Although the City already makes use of available space in the local public elementary and middle schools, other facilities may be available at Montgomery College and Columbia Union College.

### **Options that are not recommended:**

- Transfer Recreation Programs to the County. Savings to the City would undoubtedly be realized, not only in current expenditures but in future costs to build, maintain and staff city-owned facilities and programs, if the City were to return to the era of dependence on the County for recreation services. However, a transfer of recreation services to the County would effectively terminate most or all of the programs currently provided inside city limits. Even if the County agreed to operate the New Hampshire Avenue recreation center, which the County has heretofore declined to do, that facility has limited capacity and is difficult for many city residents to reach. Nor does it seem likely the County Recreation Department would be inclined to operate programs out of the city-owned community center since the County is already staffing the Long Branch community center. The net result of a transfer to the County almost certainly would be far fewer recreation services for city residents, especially for the underserved; and
- Contract with a Private Entity to Provide Recreation Programs inside the City. Takoma Park residents value the special understanding the City recreation staff has for designing and operating programs. Recreation staffers drawn from Takoma Park have been able to build and sustain relationships with their clientele, particularly youth, that would be difficult for contractors to develop. While outsourcing program administration to an outside entity such as the YMCA could theoretically bring savings due to administrative efficiencies, the savings would be minimal, and

outsourcing could sacrifice responsiveness to the underserved and reduce the full measure of accountability now enjoyed.

## *Summary*

Today the City is the sole provider of government-run recreation inside city limits, offering after-school programs, classes, sports and other activities. Except for a \$100,000 annual payment for operating expenses at the New Hampshire Avenue facility, and a \$71,740 for park maintenance, the City receives no additional rebates.

The Committee offers the following two primary recommendations for recreation and parks:

- The City should request opting out of paying the county recreation tax. If successful, this would mean a direct savings to city taxpayers of an estimated \$250,000 each year; and
- The City should request a set annual payment from the County to reflect the City's provision of recreation programs to underserved populations, including those who live outside the city limits in nearby neighborhoods.

## Section Four: Housing and Community Development

FY 2005 County Housing Rebate	\$ -
County Cost Rebate Estimate (Insufficient information to make estimate)	\$ -
City Cost Rebate Estimate (with administration and capital expenditures)	\$ 945,032
Actual City Expenditure (excludes general administration and capital expenditures)	\$ 994,607

### *Background*

The Takoma Park Department of Housing and Community Development has four divisions:

- Housing -- oversees landlord-tenant relations, monitors rental rates under the rent stabilization law and assists tenants who wish to convert apartments into condominiums or cooperatives.
- Code Enforcement -- responsible for licensing and inspections of all housing and commercial property in Takoma Park.
- Community and Economic Development -- works on several issues that relate to the economic and physical well-being of the City with a focus on transportation, economic development and development review.
- Grants Management -- works with the Community Development Block Grant Community Advisory Committee to review proposals and present recommendations to City Council for the use of federal block grant funds.

### *Findings*

The Department of Housing and Community Development is supported by a FY05 budget of just under one million dollars. Revenues from grants or fees result in a net cost lower than the budgeted cost for some services, but the revenues fluctuate annually.

**Table 9. FY05 Housing and Community Development Budget and Associated Revenues**

City Service	FY05 Budget	Associated Revenue
Administration	\$102,000	None
Housing, which includes affordable housing, landlord-tenant affairs and COLTA.	271,000	\$17,000 for Capacity Building–Community Development Block Grant
Code Enforcement	290,000	\$175,000 rental license fees
Community Development	235,000	For FY05, the City has secured \$375,000 in new grants <sup>22</sup> - note that these grants are used for other projects and do not replace the funds expended securing them.
Grants Management	97,000	

The City receives no rebate from the County even though some of the services provided by the City's Housing and Community Development Department are similar or duplicative.

- Housing: The City's housing functions, such as landlord-tenant mediation and the facilitation of affordable housing, could be administered by the County. However, the County has rejected any transfer due to the City's rules governing rent stabilization and the "excessive" paperwork involved in monitoring apartments unit by unit, each of which can have a differing allowable rental rate.
  - The City's rent stabilization program also impedes divestiture of landlord-tenant affairs and COLTA (Committee on Landlord-Tenant Affairs). Because city and county codes differ significantly, a transfer is precluded. However, the City's handling of these services does reduce the County's workload, for which the City is arguably due a rebate. The lower rents that result from rent stabilization also make a significant contribution to the County's announced goal of affordable housing, for which the City is not compensated.
  - COLTA and the handling of landlord-tenant affairs cost the City a combined \$199,000 in FY05. (Additional COLTA costs are contained in General Government accounts that pay for legal services, averaging approximately \$100,000 annually for FY04 and FY05.)
- Code Enforcement: In 2004, the City contracted with the County to handle a portion of code enforcement, the rental housing inspections, at a savings of about \$50,000. While the City pays the County for the work involved, the cost is essentially offset by fees collected from landlords. Another advantage is that the County assigns more inspectors locally than the City did; meanwhile, the City retains oversight.

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<sup>22</sup> These grants include: National Recreational Trail Programs for the Metropolitan Branch Trail (\$29,747); Federal COPS grant (\$100,000); State Highway Administration Retrofit Sidewalk Program for Carroll Avenue (\$200,000); and Community Parks and Playground Grant for Toatley Fraser Park (\$45,000)

Housing and Community Development

- Both the County and the City administer licensing programs. The City is able to offset costs for this service by fees recovered for licenses. For FY05, administration of rental housing licenses is budgeted at \$178,000 while the projected revenues are \$175,000. Commercial occupancy licensing has not yet been implemented but will have fee structures that will enable it to operate on a break-even basis.
- Community Development and Grants Management: Funds invested in securing and managing grants are leveraged to secure considerable grants funding for capital projects. These funds are not offset, but considering that they yield more funding than is expended to secure them, this appears to be a good investment for the City. Further, the administration of community development at the local level helps to ensure the City's priorities are pursued.

## ***Options and Recommendations***

There are several options available to the City for addressing the costs of administering the Housing and Community Development Department. They include seeking a rebate from the County for duplicative or similar services, returning select housing and community development functions to the County, and entering into contractual arrangements with the County or a third party to administer services currently managed by the City.

### **Generating additional revenue for housing in Takoma Park**

#### **The following options are recommended:**

- **Rebate:** The Committee recommends the City identify the housing functions that are the same or similar to those in the County and seek a rebate equivalent to the amount the County saves in not providing these services. Differences in codes should not be an impediment and are only relevant if the County were to take over administration of the services; and
- **Contracted Services:** The Committee recommends the City apply the successful model used for housing inspections to other services or functions that are appropriate for third-party administration. The most efficient contractor is likely to be the County since county staff can leverage economies of scale to reduce costs.

### **Exploring alternatives to city delivery of housing services**

#### **Transfer of Services: City staff has identified the services the County could provide and offered these options with the accompanying comments:**

- Affordable housing, but the County would not necessarily follow policies consistent with City priorities;

- Code enforcement, but the service would conform to the county code;<sup>23</sup>
- Community development, but there would be a lessening of community interaction and the County's priorities would prevail;
- Grants management, but the local focus would be diminished and the County would set priorities;
- Landlord-tenant services, but the City would have to revoke its landlord-tenant codes as well as rent stabilization. Further, it would lose local control over resolving landlord-tenant disputes; and
- COLTA, but the County would not review cases or complaints based on the City's code, as in the recent contracting with the County for rental housing inspections.

## *Summary*

The City receives no rebates for housing and community development even though many of the services are the same or similar. However, in 2004 the City contracted with the County to handle a significant portion of code enforcement at a savings of about \$50,000.

### **The Committee offers the following recommendations for housing and community development:**

- The City should request a rebate equivalent to the amount the County saves by not providing code enforcement, landlord-tenant services and other housing services in Takoma Park; and
- The City should identify housing services or functions that can be successfully contracted for third-party administration, as in the recent handoff to the County of the rental housing inspection program.

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<sup>23</sup> If the county and city codes were made identical, it would clear the way for ceding code enforcement as well as other housing functions to the County. However, this would involve a debate over the City's rent stabilization program.

## Section Five: Library

FY 2005 County Library Payment	\$ 89,674
County Cost Rebate Estimate	NA
City Cost Rebate Estimate	NA
Actual City Expenditure (excludes general administration and capital expenditures)	\$ 761,376

### *Background*

The Takoma Park Library was first established in 1935, but did not become a municipal entity until 1963 when it became a city department. Until 1997, when the boundaries of Takoma Park were unified to place the City entirely in Montgomery County, the City received a payment from Montgomery County in acknowledgement of the City's library services provided to residents of two counties.

Following unification, Montgomery County questioned the need for the continuation of this payment and, more fundamentally, the need for Takoma Park to maintain the library given the proximity of two county libraries, each with larger resources and approximately two miles away. Montgomery County also signaled that it did not look favorably on the option of merging the City's library into the Montgomery County system of twenty-one libraries. Montgomery County policy on the placement of county libraries required a minimum distance of 2.5 miles between each library. The Takoma Park Library is 1.9 miles from the Long Branch library and 2.0 miles from the Silver Spring branch library of the county system. The City decided to continue operating the library after local residents staged enthusiastic rallies on the library grounds in favor of keeping it independent.

Today the City's library is an anachronism. The State of Maryland accords official "public" status only to county libraries, causing the Takoma Park Library to remain the only surviving municipal library in the state. Its status as a municipal library, not as a "public library" as recognized under state law, deprives the Takoma Park Library of state and federal funding and other public resources.<sup>24</sup> This requires the City to serve as the primary source of funds. The FY05 City budget provides for \$761,376 in funding for the library.

During past budget discussions with the City Council, supporters of the library have cited numerous justifications on the library's behalf:

- It is the only public library inside the City's borders;
- It provides a greater number and diversity of children's programs than nearby county branches;

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<sup>24</sup> Baltimore City is considered a "county" in most aspects of state legislation. Thus Baltimore's Enoch Pratt Library is considered a "public" library.



## Library

- It is located in immediate proximity to Takoma Park Elementary, Piney Branch Elementary and Takoma Park Middle School and serves as a de facto afternoon “study hall” for scores of latch-key children;
- It is an evening venue for tutoring and other learning activities, both for children and adults, many of whom lack private vehicles but live within walking distance;
- It is central to the City’s commitment to literacy training for a culturally diverse local population that includes many immigrants who speak English as a second language;
- It provides local, direct control of collections, acquisitions, and programs; and
- It houses special Takoma Park horticulture and history collections.

In addition, with the opening of Takoma Park’s community center later in 2005, the library staff will assume responsibility for operating a new computer learning center with a bank of 20 publicly available computers to be used for classes, tutorials, schoolwork and other activities.

## Findings

The net operating costs of the City’s library are approximately \$650,000 annually and are funded by general revenues.

The County considers its two nearby library branches sufficient for the needs of the Silver Spring-Takoma Park area and does not pay the City a rebate based on the duplicative existence of the Takoma Park Library. However, as a vestige of the pre-unification subsidy, the County provides an annual payment of about \$90,000 for library operations.

Other revenue for the City’s library comes from fines. As noted above, lacking official “public” status, the library is ineligible for many standard government or private grants and has not been successful at other fundraising.

**Table 10. FY05 Takoma Park Library Finances**

<b>Operating Expenses*</b>	
(*Expenses of planned computer lab not included)	\$761,376
<b>Operating Revenues</b>	
County Payment	\$89,674
Library Fines	20,000
Total Revenues	\$119,674
<b>Net Operating Expenses</b>	<b>\$641,702</b>

The table below indicates that Long Branch and Silver Spring branches have more books, more staff, greater circulation and larger budgets. They also take advantage of economies of scale and centralized management. However, the Takoma Park Library provides more in the way of programs.

**Table 11. Comparison of Takoma Park, Silver Spring and Long Branch Libraries<sup>25</sup>**

	FTE	Circulation 03	CalcBudget 04	Books 04	Programs 04
Takoma Park	8	85,243	\$761,376	59,815	317
Silver Spring	12	362,581	\$985,471	96,558	178
Long Branch	11.5	332,048	\$826,524	129,380	220

## *Options and Recommendations*

The Committee considered a full range of options and tried to take into account the library's unique position in the Takoma Park community.

### **Generating additional revenue or reducing costs for the library**

**The Committee recommends the City investigate the following option to determine if significant costs can be cut while still maintaining an important civic role for the library.**

- Save Money by Streamlining Library Services: It is possible significant savings may be secured by reducing the Library's collection and focusing on several core areas. Book collections could be limited to niche interests, and library programming could focus on a particular constituency, such as children, or on services such as literacy training or other educational classes. As an example, the Noyes Library for Young Children, located in Kensington, employs a specialized approach for children.

**The Committee recommends the City launch a fundraising initiative on behalf of the library in cooperation with the Friends of the Library and other local supporters.**

- Pursue Creative Avenues of Fundraising: Notwithstanding the challenges, the City has not exhausted all possibilities to raise independent funds for the library.

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<sup>25</sup> The circulation figures are for FY03 because of construction work and partial closing of both the Takoma Park and Silver Spring libraries. The calculated budget column is a rough percentage of circulation to gross budget for the Silver Spring and Long Branch libraries, because branch budgets are not available. Furthermore, for these two libraries the column does not include materials, supplies, utilities or capital improvements – it is derived from personnel and operating budget columns only.

**The following options are not recommended:**

- Seek a Rebate from the County. The County regards the issue of a rebate as settled during negotiations that followed unification. To reopen those negotiations may jeopardize the current \$90,000 annual payment the library receives from the County; and
- Attempt to Secure “Public” Status for the Library. The status of the Takoma Park Library as a “public library” would improve the City’s ability to receive funds from the state of Maryland, the federal government, private foundations and other sources. However, Maryland law would need to be revised to accord such a change in status, and the Maryland state legislature historically has been hostile to the concept of municipal libraries. A lobbying campaign to secure “public” status would cost time and money and is unlikely to be successful.

**Exploring alternatives to city delivery of library services**

The City could save about \$650,000 by shutting down the library, but that would be the end of the library. In addition to its traditional function, the library serves city residents as a space for a wide range of programs, as an after-school haven for legions of latch-key kids and as a local center of literacy. The loss of the library would be a severe blow to the community.

**The Committee evaluated the following options, but neither is recommended:**

- Merge the Library into the County System: Even if the County agreed to take over operations and keep the library open, the Takoma Park branch would almost certainly be a low priority for the County and would be a likely target for closure in the event of county budget cutbacks.
- Eliminate City Funding for the Library: The library can be considered a duplicative service in that Takoma Park residents enjoy full privileges at the County’s two nearby branches, which provide many of the same services and offer a larger inventory of books and periodicals. However, the County libraries do not provide the personalized services and programs that City residents, especially children, are accustomed to at the City’s library.

***Summary***

As a vestige of an arrangement that existed when Takoma Park was divided between two counties, Montgomery County continues to pay the City an annual payment of about \$90,000 for library operations. However, the City receives no other county funding, nor is the City’s library eligible for federal, state or other traditional funding since, as the only surviving municipal library in the state, it lacks official “public” status.

**The Committee offers the following recommendations for the library:**

- The City should try to determine if significant savings can be achieved by transforming the library from one that offers general services to one that focuses on specialized services; and
- The City should launch a fundraising initiative on behalf of the library in cooperation with the Friends of the Library and other local supporters.



# Chapter Four: Arriving at More Accurate Rebate Calculations

## Background

The Committee also devoted attention to the examination of the current County rebate formulas and their implementation for accuracy, fairness, and methodological integrity. As identified in the preceding analyses of services, the Committee found numerous omissions in Montgomery County's rebate calculations that result in the understatement of the true costs to the County, were the County to provide the duplicated services to Takoma Park. Using conventional methods of financial analysis employed by academic experts, the Committee found that the County's rebate to the City was significantly less than the City's actual costs for delivering these and other duplicative services, and far less than the amount the County would likely spend if the City elected not to provide those services.

**In FY05, Montgomery County paid a total \$3.1 million to the City of Takoma Park in rebate for duplicated services. According to the Committee's calculations, a more accurate County rebate to Takoma Park should have been no less than \$4.1 million, and as much as \$7.8 million. The range in the normative rebate arises through the use of alternative analytical approaches.**

The County's disinclination to take into account its expenses for administration and the maintenance of facilities associated with the delivery of services contributes in part to the reduction of its rebate paid to Takoma Park. The County assumes that the increase in service delivery to Takoma Park would not result in any greater costs in its administrative and overhead costs. The Committee also found additional methodological flaws in the County's rebate formulas. The Committee recommends that Takoma Park negotiate with the County to correct these defects and calculate a rebate that accurately delivers Takoma Park taxpayers full and fair relief from double taxation.

## Third Party Review of Rebate Calculations: A Necessary Reform

One of the greatest shortcomings of the double taxation framework in the state of Maryland is the degree to which a county is the unchallenged authority on the tax setoff calculation and the unavailability of any recourse to a municipality to contest the county's determination. Current law fails to afford any review or enforcement mechanism to municipalities to assure a full and fair tax setoff. In Maryland, counties may choose to compensate municipal taxpayers for double taxation either by levying a lower county property tax rate or by granting a direct payment as Montgomery County does. Current law fails to provide any recourse to municipalities in either instance.

While Maryland law sets out procedures by which a municipality may request and negotiate double taxation relief from the county and be guaranteed at least a minimum level of response from the county, the law affords only the limited opportunity to municipal government representatives to testify before the county governing board to discuss or contest the level of the proposed tax setoff. Once the county has made its final determination on the level of the tax setoff, there is no legal recourse, judicial appeal or third-party arbitration process available to challenge the county's setoff determination.

The Committee considers the lack of legal recourse to contest county setoff determinations as a serious flaw in the Maryland statutory framework governing double taxation. The Committee urges the Takoma Park City Council, in league with other Maryland municipalities, to seek reform that provides municipalities the opportunity to challenge through arbitration or judicial review the accuracy and comprehensiveness of county tax setoff determinations.

## ***IGS Methodology***

The Committee arrived at the range of accurate rebates through the application of methodologies on tax setoffs developed by the Institute for Governmental Service (IGS) at the University of Maryland at College Park.<sup>26</sup>

The IGS has formulated two general approaches to calculate tax differentials that include rebate amounts. The first method, referred to as the "County Expenditures for Parallel Services" approach, assesses the costs encumbered by the county were it to deliver the duplicated service. This is the general approach that Montgomery County has taken in applying state law to its payment of rebates to municipalities within the county. The approach uses county revenue and expenditure data to calculate what it would spend in the absence of city delivery of the respective service.

The second method, referred to as the "Estimate of County Cost To Provide Services" approach, assesses city expenditures. This method is based on city, not county, expenditures to estimate what the county would spend, again in the absence of city delivery of the respective service. This approach is not used in Montgomery County to calculate rebates, but it has been calculated to estimate costs by other Maryland cities, such as Annapolis and Salisbury.

Each approach has strengths and weaknesses. The general advantage of the "county cost approach" is that it measures more directly what the county would pay to provide the service, and incorporates the economies of scale and the level of service that the county would provide. The major disadvantage is that it does not take into account demographic, economic and geographic differences between the city and the county that may elevate service costs. In other words, the county cost approach assumes that the city is just like the rest of the county and accounts for no differences in the need for and delivery of services to the city's population. This is a significant shortcoming, given the social and economic fabric of Takoma Park, as compared to the rest of Montgomery County. The demands placed

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<sup>26</sup> Founded in 1959 as a public service unit of the University of Maryland College Park, the Institute for Governmental Service works with governments and community organizations to enhance governance in the state through education and training, applied research, and technical assistance.

upon the character and quality of governmental services by Takoma Park's population may be distinctly different – and more costly – than that placed upon the remainder of Montgomery County.

Alternatively, the “city expenditure approach” more accurately accounts for the service delivery of the city. The major disadvantage is that it fails to take account of the economies of scale residing in service delivery to larger areas, as well as the actual level of service that the county provides.<sup>27</sup>

Both the “county cost” and “city expenditure” approaches, as formulated by IGS, recognize and include general government overhead, administrative and facility expenses, and capital budget costs. These expenses are not generally included in calculating Montgomery County rebates. The Committee finds this to be a significant shortcoming in the rebate framework employed by Montgomery County. Administrative, facility and capital costs are part of the full costs of providing a service. The County's omission of these real and necessary expenditures of governmental service delivery belies their true cost.

Both IGS approaches also take into account the impact of non-tax supported revenues, such as fees and federal or state grants, in reducing costs. Although Montgomery County recognizes the receipt of non-tax supported revenues in adjusting its rebate calculations, the Committee finds that greater care should be used in distinguishing earmarked city and county revenues to avoid double-counting deductions.

## Estimating More Accurate Rebates

The Committee analyzed FY05 budget data for Montgomery County and the City of Takoma Park, including data underlying the County's rebates to Takoma Park, and applied both the IGS “county costs” and the “city expenditures” approaches. The analysis revealed that the County's rebates fall far short of compensating the City for the true costs of the duplicated services provided by Takoma Park. This fact is evident in a series of omissions and inaccuracies in the calculated rebates. These issues are discussed in each of the rebates below. The table below shows the current rebates along with both the county cost estimate, and the city expense estimate.

**Table 12. Rebate Calculations by “County Cost” and “City Expense” Methodologies**

Department Rebate	Actual Rebate	County Cost Method Estimate	City Expense Method Estimate
Police Rebate	\$2,557	\$3,288	\$4,512
Crossing Guards	\$122	\$128	\$153
Roads Maintenance	\$340	\$582	\$975
Parks	\$72	\$76	\$316
Housing	\$-	\$-	\$887
Recreation	\$-	\$-	\$945
<b>Total Rebate</b>	<b>\$3,090</b>	<b>\$4,074</b>	<b>\$7,787</b>
Based on FY 2005 Budgeted Expenses (in thousands of dollars)			

<sup>27</sup> In reality, county service levels may actually be, and sometimes are, higher than those of cities. When a city provides a higher level of service, the county and its residents also benefit, both directly and indirectly.



## ***Police***

The County's rebate for police services -- \$2.5 million in FY05 -- is the largest rebate paid to the City. The formula governing the calculation of the rebate is contained in the memorandum of understanding (MOU) negotiated by Montgomery County and the City of Takoma Park in 2002. While Montgomery County generally applies the "county costs" approach to its calculation of municipal rebates, the MOU also takes into account distinct differences in police service delivery to Takoma Park, compared to the rest of Montgomery County. This comes about through the use of a "weighted workload model" to project the number of patrol officers the County would assign to Takoma Park based on adjusted calls for service and other data. The police MOU also recognizes vehicle and equipment costs for officers.

However, as noted previously in this report, the County police rebate fails to recognize a range of costs associated with police services. These include County administrative and capital costs, as well as the expense associated with the maintenance of police stations and central office space. In addition, the County fails to take into account the cost of managing, supervising and overseeing police operations in Takoma Park. As noted previously in this report, the County police rebate formula recognizes the personnel costs associated only with officers up to the rank of sergeant. The Committee believes that more accurate recognition of the supervisory requirements associated with Takoma Park policing requirements recognition of supervisory and management costs up to the higher rank of lieutenant.<sup>28</sup> According to the Maximus Report, the rebate should include officers up to the rank of lieutenant. If these costs were included in the rebate calculation the rebate would increase by about \$157,000. Inaccuracies in work load data also contribute to an underestimate of the costs the County would incur. The amount of the underestimate, however, cannot be quantified accurately without significant amount of effort. Consequently no estimate of this inaccuracy is provided.

Based on the overall administrative costs reported in the County's FY 2005 budget, the Committee finds that the County police rebate should be increased by \$495,000 for police administration and general government overhead. The rebate should also be increased by \$79,000 to account for police expenditures in the County's FY 2005-2010 Capital Improvement Plan.

## ***Road Rebate***

The Committee's assessment of the County's road rebate was made difficult by the way in which the County calculation combines disparate costs, without identification of the source or character of the costs themselves. The Committee was unable to ascertain whether the County's underlying data accounts for capital and administrative costs, as well as relevant program costs.

The County road rebate formula grossly underestimates of the cost of maintenance of the City's two bridges. The County formula assumes it would cost only \$16 a year to maintain a bridge. Information from Montgomery County's Capital Improvement Plan acknowledges that the County

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<sup>28</sup> The Committee's views on the recognition of the lieutenant level as the appropriate benchmark are supported by the study of Rockville policing requirements prepared in January 2004 for the City of Rockville by MAXIMUS, Inc., a consulting firm.

actually spends about \$19,500 per bridge in the remainder of the county each year. Moreover, County recognition of bridge maintenance costs for the rebate fails to account for any capital costs associated with bridge construction. After recognition of federal and state aid for bridge maintenance, the County cost per bridge drops to about \$11,000. The City should get an additional \$22,000 in the rebate for maintaining its bridges.

To estimate the county costs for road maintenance, the tax supported general fund expenditures for transportation in the County operating budget were totaled, and divided by the mileage of County roads to determine the County costs per mile. This amounts to \$12,195 per mile. This figure does not include the costs of county-wide traffic improvement projects in the county's capital budget. When the costs of traffic improvement projects and general government administrative expenses are recognized, a more accurate of the County's rebate to Takoma Park for roads comes to \$582,000.

### ***Parks Rebate***

The County rebate for park maintenance in FY 2005 was \$71,740. Despite the Committee's due diligence, County officials were unable to explain how the County's rebate for park maintenance is calculated. The Committee was unable to find any reliable method for estimating County costs for maintaining parks.

Consequently, the Committee's rebate calculation of County park maintenance only adds general administrative expenses, about \$4,000, to the current rebate. Since the county based cost lacks any substantive justification, the City based expenditure appears to be more reliable. The City based cost with administrative costs included is \$315,684.

### ***Crossing Guard Rebate***

According to Takoma Park city staff reports to the Committee, the crossing guard rebate of \$122,000 appears to be close to the actual cost of providing the service. The only adjustment based on our methodology is to include about \$7,000 to cover administrative expenses.

### ***Recreation Rebate***

As noted in the preceding analysis of recreation services, the County has gradually phased out its delivery of recreational programming and services within Takoma Park. Instead, the County relies primarily on the City to provide local recreational programs. Despite this development, the County provides no rebate for the recreation services provided by the City. Accordingly, the Committee recommends that the City pursue withdrawal from the application of the County's "special area tax" component of the property tax earmarked for recreational services. If withdrawal is not accomplished, then the County's reimbursement of the City for recreational services is only fair and appropriate. The Committee has not calculated an appropriate rebate figure.

## ***Housing Rebate***

It has also been noted that the City provides parallel services for affordable housing, landlord and tenant affairs, and community development. The County would have to provide these services if the City did not. Consequently, the County should provide a rebate. However, the Committee is unable to provide an estimate of the County cost for housing services.

## **City Based Costs**

To calculate the rebates based on the IGS city expense approach, the Takoma Park City Budget for FY 2005 was used to determine the costs of all parallel services, including recreation and housing. Administrative and capital costs related to each parallel service were included. In accordance with the IGS approach the amount for grants, fees, and other non-tax revenues related to parallel services was subtracted from the estimated rebate amounts. Based on this method the total City based rebate should be \$7.8 million. It includes rebates for recreation and housing services for the reasons explained above.

# Chapter Five: Outreach and Education

## *Educating Residents About Services and Taxes*

The Committee's study of service duplication and its impact on taxes occupies the majority of this report. There are two additional areas, however, to which the Committee was asked by the City Council to direct its attention: to assist in the development of the City's upcoming citizen survey; and to consider and plan for ways to impart what the Committee has learned about service duplication and its impact on residents of the City.

## **Resident Survey of Quality of Life Issues in Takoma Park**

Included in the City Council's charge to the Residents' Committee on Tax and Service Duplication Issues was the request that the Committee provide assistance and guidance in the development of the City's upcoming Takoma Park resident survey, particularly in connection with questions concerning city service delivery.

The survey will gauge resident satisfaction with the quality of life in Takoma Park. In June, 2004, the City Council approved initial plans to undertake the resident survey, authorizing the city manager to negotiate a contract with the National Research Center, a firm specializing in survey work. Under the plan, the National Research Center will prepare a six-page bilingual questionnaire to be mailed to approximately 3,000 residents.

The Committee believes that this report and its identification of alternative service delivery options in police, public works, recreation, housing and community development and library services will be useful to the City and the National Research Center in the development of such questions. Although the Committee became familiar with the initial plans associated with the citizen survey project, the magnitude of work associated with the review of City and County service duplication issues did not provide enough time for the Committee to formulate specific service survey questions.

Committee members will remain available to assist with feedback as City staff develops the survey.

The Committee feels obliged to take this opportunity to offer a word of caution about the search for citizen feedback about city services, and particularly about attempts to secure feedback on citizen priorities for higher or lower levels of services. Through its work, the Committee gained a deeper appreciation of the complexities and nuances that are associated with the City's wide-ranging delivery of services and the costs and benefits that attach to them. The multiple trade-offs that are associated with increasing or decreasing service levels make it difficult to reduce discussion of service delivery to the confines of a survey question. Therefore, the Committee believes that a richer and more beneficial dialogue with Takoma Park residents on city services would be available to the City through its use of forums, focus groups and other opportunities that provide for a more thorough and sustained discussion

of city services, far beyond what a survey can afford. The Committee urges the Council to consider the use of these avenues of discussion on city services as a supplement to the survey process.

## Public Education and Outreach

The City Council also requested the Committee, as part of its efforts to become knowledgeable about the legal requirements and constraints of municipal tax duplication, to consider ways to reach out to the public to communicate what the Committee has learned and recommended.

With the assistance of City staff, the Committee undertook a range of efforts to inform the public of its work. We:

- Wrote articles about the Committee and its mission for publication in the City Newsletter and Takoma Voice. An article about the Committee and its work also appeared in the Takoma Gazette;
- Invited citizens to the Committee's meetings through notices in the City Newsletter, Takoma Voice and Takoma Gazette and provided opportunity for public comment at each meeting;
- Created a web page on the City's website ([www.207.176.67.2/admin/tax/index.html](http://www.207.176.67.2/admin/tax/index.html)) on which the Committee posted a considerable amount of material on double taxation and city services that form the basis of its report;
- Prepared minutes of each Committee meeting and posted those on the Committee's website;
- Created a list serve for public discussion of Committee business. All list serve messages were accessible through the Committee's website;
- Broadcast the December 1 meeting of the Committee, at which Montgomery County and Maryland Municipal League officials appeared, on the Takoma Park municipal cable channel, with multiple rebroadcasts on the channel; and
- Presented an interim report of the Committee's work and preliminary findings to the City Council at the Council's regular meeting on February 28. The Committee's presentation was aired on the Takoma Park municipal channel, and the PowerPoint presentation was posted on the Committee's web page.

Looking ahead, the Committee has developed a set of plans to communicate the findings and recommendations of this report. Those plans include the following efforts:

- Publication of the report for the City Council, with distribution of it to the leaders of neighborhood associations and civic groups in Takoma Park;
- Committee representatives also will be available to meet with neighborhood associations and civic groups to explain the report and its implications for City residents;

- Distribution of the report, under the signature of the Mayor and/or City manager, to appropriate municipal and county leaders throughout Montgomery County and the Maryland legislature. Committee representatives also will remain available to meet with county and state officials to discuss the report and its recommendations;
- Posting of the Committee report -- with continued availability of underlying support materials – on the City website; and
- Writing and publication of a series of articles in the City Newsletter about the overall findings of the Committee report and each of the service areas addressed by the report. This effort will extend through most of 2005.



# Appendix A: County & City Revenues

## Takoma Park City Revenues for Fiscal Year 2005

According to the approved fiscal year 2005 budget, the Takoma Park City Government raises \$14,215,597 in general fund revenues. When the appropriated surplus is included, the general fund amounts to \$15,383,186. The property tax on real property in the City is by far the largest single source of City revenues, raising \$6.8 million and representing 44 percent of the fiscal year 2005 general fund. When taxes on business property, public utilities, and other property tax related revenues are included the share increases to 48 percent. The Takoma Park real property tax rate is \$0.66 per \$100 in assessed value.

The next most significant revenue source, representing about 26 percent of fiscal year 2005 general fund, is money passed down from other levels of government, such as the county and state governments. The City receives about \$4 million from these sources, the largest portion coming from County rebates that total about \$3.1 million or 17 percent of the general fund. The County also provides about \$190,000 in non-duplicated payments, such as additional money for police services, library aid, and payments for operating programs out of the Takoma Park Recreation Center on New Hampshire Avenue. The total County contribution to the City's general fund is about \$3.3 million. Other intergovernmental sources include state funding for police services and roads.

A distant third major source of City revenues is a share of the "piggyback" local income taxes, passed back from the County. Maryland residents pay local income taxes to the State, which distributes them back to the counties. According to state law, the City gets 17 percent of the local income taxes paid by Takoma Park residents through the State. The County keeps 83 percent of these taxes. The City receives \$1.4 million, less than 10 percent of its general fund.

Charges, fees, licenses, permits, and other miscellaneous revenues bring in about \$1.2 million or about 8 percent of the general fund. The remaining 8 percent in FY 2005 is drawn from the accumulated surplus funds from previous years and investment income.

Two additional sources of funds, which are not counted as revenues, are the proceeds from city bonds (borrowing) and appropriated surpluses (drawing from reserves). In the FY05 budget the appropriated surplus was \$1,167,589, which represents 7.6 percent of the general funds. City bonds vary in size and can bring in substantial resources that are paid off as debt service in successive years. Debt service in FY05 in the City budget was \$312,735, or two percent of the general fund.

Details on City revenues are shown in Table 13 below. Special funds are not included in these percentages. The City receives an additional \$1 million of "Special Revenue Funds," which are from the federal, state and county governments and dedicated to specified programs, primarily police, community development, and parks. The City also collects about \$234,000 from storm water management fees. This is a \$28.68 fee to each single-family household, and a proportionate rate for



commercial and institutional properties based on the size of the property. These fees are dedicated to maintaining the City's storm water drainage system.

**Table 13: FY05 Takoma Park General Fund Revenue Details**

Revenue Source	Revenues	% of Total	Comments
<b>Property and Related Taxes</b>	<b>\$7,394,098</b>	<b>48.1</b>	
Property Tax	\$6,814,293	44.3	Takoma Park rate is \$0.66 per \$100 assessed value.
Personal Property Tax	\$380,000	2.5	City personal property tax rate (business) is \$1.65 per \$100 assessed value.
Railroad and Public Utilities	\$167,805	1.1	Property taxes on public utilities.
Penalty and Interest	\$32,000	0.2	
<b>Intergovernmental</b>	<b>\$4,033,135</b>	<b>26.2</b>	
County Rebates	\$2,595,057	16.9	Includes police, roads, parks and crossing guards.
Police Rebate	\$495,585	3.2	This is passed back from the County at \$0.048 per \$100 assessed value.
Library Aid	\$89,674	0.6	From County NOT a rebate.
Highway User Fees	\$355,786	2.3	From the State Highway Trust Fund, distributed by formula.
State Grant Police Protection	\$388,375	2.5	State formula grant based on City police expenditures.
SCCP Grant	\$3,015	0.0	County police grant to recreation program for after school programs, etc.
Bank Share Tax	\$5,643	0.0	From State to compensate for a tax no longer permitted on banks and finance corporations.
Takoma Langley Rec Agreement	\$100,000	0.7	From County to pay for programs run at Takoma Langley Recreation Center.
<b>Income Tax</b>	<b>\$1,481,000</b>	<b>9.6</b>	Takoma Park gets a pass back of 17% of Takoma Park Residents local income tax payments from the County.
<b>Charges, Fees, and Others</b>	<b>\$1,187,364</b>	<b>7.7</b>	
Licenses and permits	\$46,000	0.3	City and County both issue residential parking permits. See schedule.
Charges for Services	\$684,000	4.4	
Fines and Forfeitures	\$162,500	1.1	\$150,000 is from parking and traffic violations. The rest from drug forfeitures, other city violations, and admin cost.
Miscellaneous	\$39,333	0.3	
Sale of Impounded Property	\$2,000	0.0	TP is sale of impounded property
Cable Franchise Fees	\$117,220	0.8	City charges %5 franchise fee to cable companies.
Other Cable Related Revenue	\$57,711	0.4	TP amount is fee based on franchise agreement and agreement with the County
Payment in Lieu of Taxes	\$25,500	0.2	
Hotel Motel Tax	\$53,000	0.3	
Admissions Tax	\$100	0.0	
<b>Investment</b>	<b>\$120,000</b>	<b>0.8</b>	
<b>Appropriated Surplus</b>	<b>\$1,167,589</b>	<b>7.6</b>	
<b>Total General Fund Revenues</b>	<b>\$15,383,186</b>	<b>100</b>	
*Appropriated Surplus is a draw from the City's financial reserves accumulated from previous years, and does not represent new revenue. Total General Fund Revenue without this draw is \$14,215,597. Source: Takoma Park Approved FY 2005 budget.			

## County Revenues for Fiscal Year 2005

The largest revenue source for the County's general fund is the local income tax, which in FY 2005 accounts for \$893 million or 41 percent of the general fund. The County sets the local income tax rate at 3.2 percent. The next largest source is the County wide general property tax which, including business property and other related revenues, accounts for \$791 million or about 36 percent of the general fund. The county-wide property tax rate on real property is \$0.734 per \$100 in assessed value.

The County also raises about 15 percent of its general fund revenues from other taxes such as the Real Property Transfer Tax and the Recordation taxes, which are paid when real property is sold or refinanced. Surcharge taxes also apply to energy and telephone use, which County residents generally pay in their phone and utility bills, and when they purchase gasoline. There is also a 7 percent tax hotel/motel tax, and a tax on gross receipts on admissions to events such as movies and concerts. Only 6 percent of the County's general fund is passed down from the state or federal government. The remaining 3 percent of the general fund is from fees, permits, and other miscellaneous revenue sources.

Details on County General fund revenues are in the table below. In addition to the general fund, the County has special funds to finance the public schools, Montgomery College, the Maryland National Capital Park and Planning Commission. Revenues going directly to these funds are primarily from special area taxes, intergovernmental grants, and charges for services. Special area taxes vary within the county.

**Table 14: FY05 Montgomery County General Fund Revenue**

Revenue Source	Revenues	%	Comments
<b>County Wide Property Taxes</b>	<b>\$790,645,120</b>	<b>36.3</b>	Countywide rate is \$0.0737 per \$100 assessed value, also includes taxes on business property.
<b>Income Tax</b>	<b>\$892,970,000</b>	<b>41.0</b>	County rate of 3.2% is collected by the State with State taxes.
<b>Other Taxes</b>	<b>318,874,760</b>	<b>14.6</b>	
Real Property Transfer Tax	\$93,980,000	4.3	Paid when real property is sold or transferred.
Recordation Tax	\$60,090,000	2.8	Paid when real property is sold, transferred, or altered.
Energy Tax	\$115,494,760	44.3	Excise tax shows up in utility bills and at the gas pump. Amount depends upon fuel type.
Telephone Tax	\$32,350,000	2.5	Shows up in phone bill: \$2 per line per month.
Hotel Motel Tax	\$13,960,000	1.1	Visitors pay 7% of room rate.
Admissions Tax	\$3,270,000	0.2	Entertainment admissions tax, such as moves and concert tickets.
<b>Intergovernmental</b>	<b>\$126,018,370</b>	<b>5.8</b>	
<b>Fees and Miscellaneous</b>	<b>\$47,553,140</b>	<b>2.2</b>	
Licenses and permits	\$9,239,090	0.4	
Charges for Services	\$15,382,920	0.7	
Fines and Forfeitures	\$14,335,520	0.7	
Miscellaneous	\$8,595,610	0.4	
<b>Investment</b>	<b>\$3,582,820</b>	<b>0.2</b>	
<b>Total General Fund Revenues</b>	<b>\$2,179,644,210</b>	<b>100</b>	
Source: Montgomery County Approved FY 2005 operating Budget.			

# Appendix B: Montgomery County Tax Duplication Payments to Takoma Park

**Table 15. Montgomery County Tax Duplication Payments to Takoma Park, FY1995-2005<sup>29</sup>**

PAYMENT TYPE	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Unaudited	Unaudited
In Lieu of Police	671,631	663,407	663,407	1,110,341	1,598,930	1,458,467	1,483,713	1,348,720	1,711,206	1,754,320	2,061,318
In Lieu of Roads Maintenance	158,677	134,197	154,754	315,859	267,478	266,100	316,916	270,003	270,033	250,923	339,903
In Lieu of Housing Services	14,259	14,720	14,259	18,060	0	0	0	0	0	0	0
In Lieu of Parks Maintenance	57,759	59,053	59,053	55,000	61,026	62,857	64,114	66,102	68,217	69,786	71,740
In Lieu of Crossing Guard	51,791	54,970	54,970	50,000	58,500	71,844	88,921	89,009	88,717	107,307	121,738
<b>Total-- Duplication Payments</b>	<b>954,117</b>	<b>926,347</b>	<b>946,443</b>	<b>1,549,260</b>	<b>1,985,934</b>	<b>1,859,268</b>	<b>1,953,664</b>	<b>1,773,834</b>	<b>2,138,173</b>	<b>2,182,336</b>	<b>2,594,699</b>
Library Aid from Mont. County	52,987	54,231	56,882	96,482	120,827	89,978	82,288	81,812	84,590	89,674	89,674
<b>Total</b>	<b>1,007,104</b>	<b>980,578</b>	<b>1,003,325</b>	<b>1,645,742</b>	<b>2,106,761</b>	<b>1,949,246</b>	<b>2,035,952</b>	<b>1,855,646</b>	<b>2,222,763</b>	<b>2,272,010</b>	<b>2,684,373</b>

<sup>29</sup> The Library Aid payment for FY05 reflects the budgeted amount, not actual receipts as of March 24, 2005. The “In lieu of Police” figure does not include the Takoma Park police rebate that is allocated to the City per Montgomery County code. The amount each year is equal to 0.048 per \$100 of the City’s assessable base (at full value assessment).

# Appendix C: FY05 Montgomery County Tax Duplication Payments to Municipalities

Table 16. FY05 Montgomery County Tax Duplication Payments to Municipalities

Municipality	Local Road Miles*	Tax-Support Road Reimbursement	Takoma Park Police	Takoma Crossing Guards	Board of Appeals	Hearing Examiner	Elderly Services	Park Maint.	Human Relations	Animal Control	Total Other Services	Projected FY05 Payment	Takoma Park Repay**	Projected Net FY05 Payment
Barnesville	0	\$0									\$0	\$0		\$0
Brookeville	0.45	\$4,420										\$4,420		\$4,420
Chevy Chase, Sec. II	2.23	\$21,906						\$3,589			\$3,589	\$29,084		\$29,084
Chevy Chase, Sec. VI	1.6	\$15,717									\$0	\$15,717		\$15,717
Chevy Chase View	3.4	\$33,399									\$0	\$33,399		\$33,399
Chevy Chase Village	8.27	\$81,238									\$0	\$81,238		\$81,238
Town of Chevy Chase	9.92	\$97,446			\$823	\$859		\$9,085			\$10,767	\$118,980		\$118,980
Drummond	0.38	\$3,733										\$3,733		\$3,733
Friendship Heights	0.82	\$8,055					\$5,792	\$71,324			\$77,116	\$162,287		\$162,287
Gaithersburg	84.92	\$842,911					\$43,842			\$56,724	\$100,566	\$1,044,043		\$1,044,043
Garrett Park	3.92	\$38,507										\$38,507		\$38,507
Glen Echo	1.71	\$16,798										\$16,798		\$16,798
Kensington	8.17	\$80,296						\$35,435			\$35,435	\$151,166		\$151,166
Laytonsville	1.07	\$10,511										\$10,511		\$10,511
Martin's Addition	2.21	\$21,709										\$21,709		\$21,709
North Chevy Chase	1.97	\$19,352										\$19,352		\$19,352
Oakmont	0.27	\$2,652										\$2,652		\$2,652
Poolesville	17.35	\$170,433										\$170,433		\$170,433
Rockville	147.8	\$1,500,864					\$40,768		\$104,071	\$52,747	\$197,586	\$1,896,036		\$1,896,036
Somerset	4.24	\$41,660										\$41,660		\$41,660
Takoma Park	34.6	\$339,903	\$2,061,316	\$121,738				\$71,740			\$2,254,794	\$4,849,491	\$50,000	\$4,899,491
Washington Grove	3.7	\$36,346										\$36,346		\$36,346
<b>TOTAL</b>	<b>339.01</b>	<b>\$3,387,856</b>	<b>\$2,061,316</b>	<b>\$121,738</b>	<b>\$823</b>	<b>\$859</b>	<b>\$90,402</b>	<b>\$191,173</b>	<b>\$104,071</b>	<b>\$109,471</b>	<b>\$2,679,853</b>	<b>\$8,747,562</b>	<b>-\$50,000</b>	<b>\$8,797,562</b>

\*Source of Data - State Highway Administration of Maryland FY03 Recapitulation of Urban and Rural Mileage County Miles DPW&amp;T.

\*\* Takoma Park has borrowed \$455,000 from the County for revitalization of the Pinecrest area. Repayments of \$50,000 per year are due in FY01-08, with \$55,000 due in FY09.

## Appendix D: Overview of Governmental Responsibility for Parks, Recreation, Public Works and Planning in Takoma Park

Takoma Park tax duplication calculations for the parks, recreation, public works and planning can be confusing due to the varying responsibilities, funding sources and agencies involved. The chart below distinguishes the responsibilities of the City of Takoma Park departments, Montgomery County departments, and the Maryland-National Capital Park and Planning Commission, along with their funding sources.

**Table 17. Overview of Governmental Responsibility for Parks, Recreation, Public Works and Planning in Takoma Park**

	CITY OF TAKOMA PARK DEPTS OF PUBLIC WORKS (PW), HOUSING AND COMMUNITY DEVELOPMENT (HCD) AND RECREATION	MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION	MONTGOMERY COUNTY DEPTS. OF PUBLIC WORKS AND TRANSPORTATION (DPW&T), AND RECREATION; BOARD OF APPEALS
Maintenance of City parks	PW maintains parks; funded by City taxes (County tax rebate for parks)		
Maintenance of M-NCPPC parks		Maintains parks; funded by County Special Area Taxes	
City right-of-way maintenance and road improvements	PW maintains ROW; funded by City taxes (County tax rebate for roads)		
City transportation planning	City Engineer (PW) works with HCD planners; funded by City taxes		
City Planning/ Development review	City Engineer (PW) and Arborist (PW) work with planners (HCD), in coordination with County and M-NCPPC staff; funded by City taxes and fees for storm water review and tree and driveway permits	Responsible for Master Plan and major development review functions, in coordination with City staff; funded by County Special Area Taxes and application fees	DPW&T responsible for building permits, and parking waivers, variances handled by County Board of Appeals; funded by County taxes and application fees
City solid waste and recycling	PW collects solid waste and recycling; funded by City taxes		
City recreation programs	City Rec Dept. operates programs, including programs out of Rec Center on New Hampshire Ave paid for by County; funded by City taxes, program fees, and County contract		
County recreation programs			County Rec Dept. contracts with City to provide programs at NH Ave center; funded by County Rec Tax and program fees

## Appendix E: Incidence of Property Taxes and Fees of Takoma Park Residents Compared to Residents in Other Jurisdictions

The Committee conducted a comparative analysis of the tax burden of property taxes and fees borne by Takoma Park homeowners relative to those in other local jurisdictions. Since property taxes are deductible for Federal and State tax purposes, while fees are not, the relative burden depends not only on a homeowner's assessed value, but also on the household's income tax bracket.

Takoma Park demographics differ from those of Montgomery County as a whole. As Table 18 indicates, while Rockville is quite similar to the County overall in education and homeownership rates, median income and property values, Takoma Park is quite different. Homeownership is significantly lower, home values are somewhat lower, the poverty rate is higher, and median income is even lower than the statewide median (which includes non-metropolitan areas), despite the fact that educational attainment is relatively high. (This fact is consistent with the unique character of Takoma Park, which hosts a high percentage of activists and nonprofit organization workers). The Takoma Park population is also more ethnically diverse than the other jurisdictions.

**Table 18. Selected Demographic Indicators from the 2000 Census**

	Takoma Park	Rockville	Montgomery County	Maryland
Population	17,299	47,388	873,341	5,296,486
Households	6,893	17,247	324,565	1,980,859
Housing units	7,187	17,786	345,102	2,197,126
Home ownership rate	45.4 percent	67.7 percent	68.7 percent	67.7 percent
Median value	\$189,200	\$198,700	\$221,800	\$146,000
Median household income (dollars)	\$48,490	\$68,074	\$71,551	\$52,868
Poverty rate	10.3 percent	7.8 percent	5.4 percent	8.5 percent
Percent bachelors or higher	49.6 percent	52.9 percent	54.6 percent	31.4 percent
Percent white	48.9 percent	67.8 percent	64.8 percent	64.0 percent

In 1999, 87 percent of Takoma Park households reported earnings, for which the average was about \$65,000. Median family income was also roughly this amount. Fifteen percent of households received Social Security (SS); the combined mean income from SS, Supplemental Security Income (SSI), and retirement income totaled about \$35,000. We will use these averages to help characterize some “typical” households to compare tax burdens.

The focus of this distributional analysis is on homeowners. Homeowners bear a direct burden of the property taxes and fees. As residents, they also receive the benefits of the services funded. Assessing the burden on other types of residents and property owners is more complicated. Landlords pass on part of the tax burden to their tenants, but these indirect costs are harder to assess, in part due to Takoma Park rent control policies. Tenants also pass back benefits to landlords to some extent, as better services should make them willing to pay more to access them, but this effect is also hard to quantify.

Businesses pay additional personal and special property taxes, but they also receive a different class of services than a typical homeowner.

We calculated the local tax burden for different stylized households, taking the value of Federal and State tax deductions into account. These adjustments are important, since property taxes are deductible. These deductions lower the effective cost of property taxes, and they have greater values for those in higher tax brackets. Still, property taxes remain relatively progressive, since higher income people tend to own more valuable houses. However, lower income owners of high value homes (due to retirement, divorce, etc.) are the exception, and they can pay more than high-income owners. In these cases, the Homeowner Tax Credit offers some relief.

The State of Maryland limits the property tax paid by low income residents on the first \$150,000 of assessed value, offering a credit equal to the difference between the actual tax paid and the maximum levy. The amount of the maximum increases with income, and the tax credit phases out at an income of about \$40,000. Takoma Park offers a matching credit, which was just raised 30 percent of the state credit. Montgomery County also has a supplement, but at this time, we have not identified the amount. In Takoma Park, the Homeowner Tax Credit affects roughly four percent of homes. (By contrast, more homeowners are currently affected by the Homestead Tax Credit, which limits assessment growth to 10 percent).

Finally, we note that fees are not deductible; furthermore, since they do not tend to vary with income, they are regressive forms of taxation. Montgomery County relies more heavily on fees than does Takoma Park.

We compared four stylized homeowners, as portrayed in Table 19: a low-income single; a retired couple with average income for Takoma Park; a median income family; and a high-income family. We then compare their tax payments according to the value of the home they own: \$150K, \$300K, \$500K, or \$800K. We acknowledge that homes of comparable value in other jurisdictions may have different characteristics, just as other jurisdictions have different qualities of services. This exercise emphasizes the tax side of a household’s potential location decision; in comparing jurisdictions, households with given income and home asset values would consider not only the tax payments, but also the relative services provided.

**Table 19. Four Stylized Takoma Park Homeowners**

TAXPAYER PROFILES		FEDERAL + STATE	PROPERTY TAX LIMIT
	Income	tax bracket	on 1st \$150K
LOW INCOME SINGLE	20000	23.53 percent	840
RETIREE COUPLE	35000	23.53 percent	2190
MEDIAN FAMILY	65000	33.53 percent	N.A.
HIGH INCOME FAMILY	200000	41.53 percent	N.A.

We considered four jurisdictions: Takoma Park, unincorporated Silver Spring, Rockville, and Hyattsville. Table 21 and Table 22 present the tax and fee rates, respectively. Takoma Park has the highest property tax rates and the lowest fees.

**Table 20. Real Property Taxes per \$100,000 of Assessed Value**

JURISDICTION	COUNTY	MUNICIPAL	SPECIAL AREA TAX	STATE	TOTAL
Takoma Park	0.734	0.660	0.272	0.132	1.798
Silver Spring (uninc)	0.734	0.000	0.275	0.132	1.141
Rockville	0.734	0.322	0.168	0.132	1.356
Hyattsville	0.806	0.580	<sup>30</sup>	0.132	1.518

**Table 21. County and Municipal Fees by Jurisdiction**

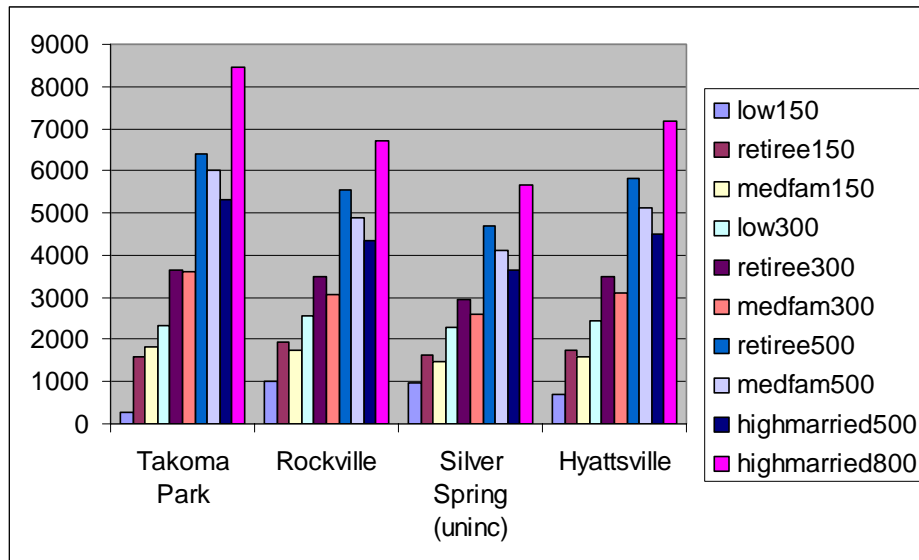
JURISDICTION	SANITATION	STORMWATER & SEWER	TOTAL
Takoma Park	40	28	68
Silver Spring (uninc)	323	13	336
Rockville	376	13	389
Hyattsville <sup>31</sup>	70		70

<sup>30</sup> In Prince George's County, the special area taxes are included in the county tax. The county tax also reflects a municipal tax offset to Hyattsville.

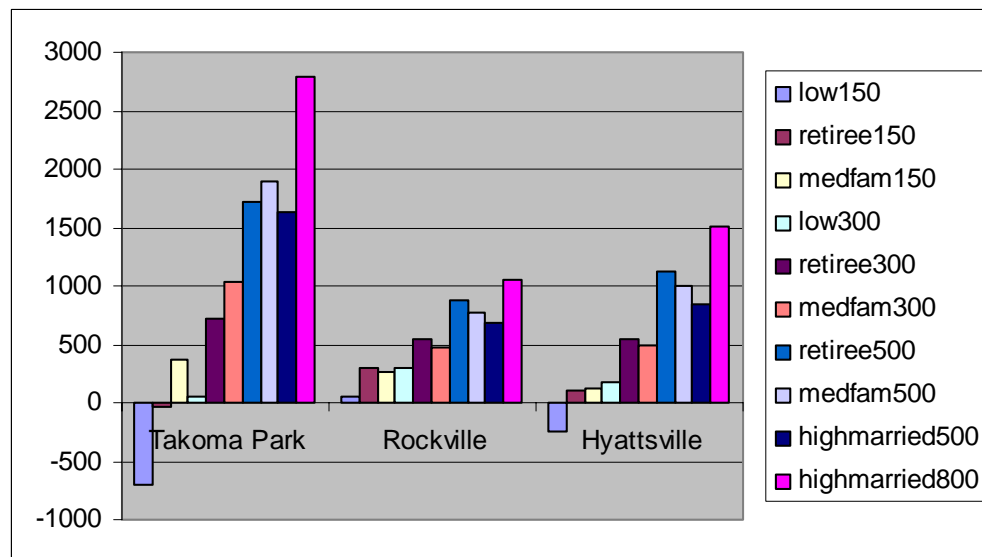
<sup>31</sup> These fees may not be comprehensive, as Prince George's County information was less readily accessible.



**Figure 3: Total Property Tax and Fees, after Deductions, by Jurisdiction and Household Type**



**Figure 4: Effective Tax Burdens Relative to Unincorporated Silver Spring**



From these graphs, we see that Takoma Park revenue mechanisms are more progressive than those of other jurisdictions, primarily because of less reliance on fees and more reliance on property taxes. Low-income owners of modest houses fare better or the same in Takoma Park, in large part due to the matching of the Homeowner Tax Credit. Above an assessed value of \$300K, however, differences begin to exceed \$500 per year for a median family, compared to other incorporated municipalities (and much more compared to unincorporated Silver Spring). For homes with an assessed

value above \$600K, high-income owners pay over \$1000 per year more living in Takoma Park, even after their higher-value deductions.

**Sources:**

US Census. <http://quickfacts.census.gov/qfd/states/24/24031.html>

Montgomery County (for tax rates and solid waste service charges),

<http://www.montgomerycountymd.gov/govtmpl.asp?url=/content/finance/CountyTaxes/Infopercen20Taxes/financial.ASP>

Homeowner Tax Credit

<http://207.176.67.2/clerk/agenda/items/2004/092704-5.pdf>

<http://www.dat.state.md.us/sdatweb/htc.html>

IRS and The Federation of Tax Administrators (for tax brackets).

PG County municipal tax differentials

<http://www.aoba-metro.org/resourcecenter/reports/MD2005CountyTaxRates.htm>

Maryland Municipal League

<http://www.mdmunicipal.org/research/topten.cfm>

## Appendix F: The Benefits of Regional Tax-Base Sharing

Revenue sharing between state and local governments represents a fiscal partnership. This partnership reflects the recognition that tax collection – either sales, income, property tax or other taxes – is often best accomplished at a higher level of government, while the services and activities funded by these taxes are best driven by local decision making. For example, it would not make good economic sense for every municipality to have its own “IRS” to collect the share of income tax that is returned to each city. Conversely, it wouldn’t make sense for the State to determine how our city wants to use the City bandstand. While we recognize the value of economies of scale, and the value of decision making delegated to the lowest practical level, the current model for tax redistribution doesn’t reflect the varied levels of activity undertaken by city governments.

State law redistributes 17 percent of state income tax revenue generated in Takoma Park back to the City government. This formula, like most tax redistribution formulas, fails to take account of the varied levels of activities provided by municipalities, as well as varied capacities to generate income. This is true of property tax and sales tax as well. These types of tax policies create inequitable redistributions in part because the redistribution is limited to the locality in which they were collected.

Frequently, socially desirable goods do not generate taxes, so communities that use their resources generating such goods lose in the tax redistribution formula. For example, communities that provide housing for moderate-income citizens generate less income tax, and property tax, yet still must provide services such as recreation, police and sanitation services to those residents. This community would receive the same 17 percent that a community with wealthier residents whose income and property values generate more income. Another example would be communities that favor regional retail, such as Wal-Mart, to generate sales taxes over an office building that would generate jobs and property taxes. When land activities are driven by potential tax income to the near exclusion of other factors, this is called the fiscalization of land use. Such land-use pressures often result in sprawl and competition between cities for scarce fiscal resources.

Regional tax-base sharing is one way to address this problem. With tax-base sharing, all of the municipalities within a metropolitan area pool some portion of their tax base to be redistributed based on desired social or structural outcomes. This discourages interregional competition; facilitates other planning goals such as preserving open space or maintaining a vibrant downtown; encourages suburbs and central cities to cooperate on regional economic development goals; and leads to a more equitable distribution of tax burdens and public services.<sup>32</sup>

Regional tax-base sharing was implemented in the seven-county Twin Cities metro in 1971. Each community contributes 40 percent of the growth of its commercial and industrial property tax base

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<sup>32</sup> Helpful thinking on regional tax-base sharing has been fostered by the Rules Project Institute for Local Self-Reliance. Further information is available at [www.newrules.org](http://www.newrules.org).

after 1971 to a regional pool. The funds are redistributed based on a formula that takes into account a jurisdiction's population and fiscal capacity (defined as per capita real property valuation).

According to former Minnesota State Representative Myron Orfield, an expert on regional revenue-sharing, the system has reduced tax-base disparities among Twin Cities communities from 50:1 to roughly 12:1. The system has not eliminated disparities, because 60 percent of any new revenue from commercial development remains in the host community. Only about 20 percent of the region's total tax-base is shared.<sup>33</sup>

Regional tax sharing has been implemented in the Hackensack-Meadowlands region of New Jersey and is currently being considered in Sacramento, California.<sup>34</sup>

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<sup>33</sup> *Id.*

<sup>34</sup> See <http://www.policylink.org/Research/AB680/> for more information on the Sacramento model legislation.

# **Appendix G: Workgroups of Residents’ Committee on Tax and Service Duplication Issues**

## **Police Services**

Andrew Kelemen, Coordinator  
Kathy Berst  
Nancy Cohen  
Joyce Seamens

## **Public Works Services**

Dan Beckley, Coordinator  
John Conger  
Carolyn Fischer  
Seth Grimes  
Lawrence Mishel  
Christopher Victoria

## **Recreation Services**

Howard Kohn, Coordinator  
Seth Grimes  
Lawrence Mishel  
Joyce Seamens

## **Housing and Community Development Services**

John Conger, Coordinator  
Andrew Kelemen  
Keith Berner

## **General Government, Communications and Library Services**

Keith Berner, Coordinator  
Dan Beckley  
Howard Kohn  
Christopher Victoria

## **Tax/Income Stream Analysis**

Bruce Baker, Coordinator  
Colleen Clay  
Carolyn Fischer  
Mary Stover

## **Education and Communication**

Hank Cox, Coordinator  
Karen Mendez  
Richard Payne  
Rita Smith

## **Takoma Park City Council**

Mayor Kathy Porter

Joy Austin-Lane

Heather Mizeur

Bruce Williams

Terry Seamens

Marc Elrich

Doug Barry

Barbara M. Matthews

*City Manager*



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